

CITY OF STEPHENVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

PREPARED BY

FINANCE DEPARTMENT

***Walter G. Wood, CPA
Director of Finance/Administration***

CITY OF STEPHENVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit/Table</u> |
|--|-------------|----------------------|
| INTRODUCTORY SECTION | | |
| Letter of Transmittal..... | i | |
| GFOA Certificate of Achievement..... | vi | |
| Organizational Chart..... | vii | |
| List of Principal Officials..... | viii | |
| FINANCIAL SECTION | | |
| Independent Auditors' Report..... | 1 | |
| Management's Discussion and Analysis (Required Supplementary Information)..... | 5 | |
| <u>Basic Financial Statements</u> | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position..... | 17 | Exhibit A-1 |
| Statement of Activities..... | 18 | Exhibit A-2 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds..... | 20 | Exhibit A-3 |
| Reconciliation of the Governmental Funds | | |
| Balance Sheet to the Statement of Net Position..... | 21 | Exhibit A-4 |
| Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances - Governmental Funds..... | 22 | Exhibit A-5 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances of Governmental Funds to the Statement of Activities..... | 23 | Exhibit A-6 |
| Statement of Net Position - Enterprise Funds..... | 24 | Exhibit A-7 |
| Statement of Revenues, Expenses, and Changes in | | |
| Fund Net Position - Enterprise Funds..... | 25 | Exhibit A-8 |
| Statement of Cash Flows - Enterprise Funds..... | 26 | Exhibit A-9 |
| Notes to the Financial Statements | 27 | |
| <u>Required Supplementary Information</u> | | |
| Budgetary Comparison Schedules: | | |
| General Fund..... | 51 | Exhibit B-1 |
| Schedule of Changes in the City's Net Pension Liability | | |
| And Related Ratios -Texas Municipal Retirement System Plan | 54 | Exhibit B-2 |
| Schedule of City's Contributions - Texas Municipal Retirement System Plan..... | 55 | Exhibit B-3 |
| Notes to Required Supplementary Information..... | 56 | |
| <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u> | | |
| Combining Balance Sheet - All Nonmajor Governmental Funds..... | 60 | Exhibit C-1 |
| Combining Statement of Revenues, Expenditures and Changes in | | |
| Fund Balances - All Nonmajor Governmental Funds..... | 61 | Exhibit C-2 |

CITY OF STEPHENVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit/Table</u> |
|---|--------------------|-----------------------------|
| Special Revenue Funds: | | |
| Combining Balance Sheet - Nonmajor Special Revenue Funds..... | 62 | Exhibit C-3 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds..... | 64 | Exhibit C-4 |
| Budgetary Comparison Schedules: | | |
| Hotel/Motel Occupancy Tax Fund..... | 66 | Exhibit C-5 |
| Child Safety Special Revenue Fund..... | 67 | Exhibit C-6 |
| Public Safety Special Revenue Fund..... | 68 | Exhibit C-7 |
| Court Technology..... | 69 | Exhibit C-8 |
| Debt Service Funds: | | |
| Budgetary Comparison Schedule: | | |
| Debt Service Fund..... | 70 | Exhibit C-9 |
| Enterprise Funds: | | |
| Combining Statement of Net Position - Nonmajor Enterprise Funds..... | 72 | Exhibit C-10 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds..... | 73 | Exhibit C-11 |
| Combining Statement of Cash Flows - Nonmajor Enterprise Funds..... | 74 | Exhibit C-12 |

STATISTICAL SECTION

| | | |
|--|----|------------|
| Net Position by Component..... | 76 | Table D-1 |
| Expenses, Program Revenues, and Net (Expense)/Revenue..... | 78 | Table D-2 |
| General Revenues and Total Change in Net Position..... | 80 | Table D-3 |
| Fund Balances of Governmental Funds..... | 82 | Table D-4 |
| Changes in Fund Balances of Governmental Funds..... | 83 | Table D-5 |
| Assessed Value and Estimated Actual Value of Taxable Property..... | 84 | Table D-6 |
| Direct and Overlapping Property Tax Rates..... | 85 | Table D-7 |
| Principal Property Tax Payers..... | 86 | Table D-8 |
| Property Tax Levies and Collections..... | 87 | Table D-9 |
| Taxable Sales by Category..... | 88 | Table D-10 |
| Direct and Overlapping Sales Tax Rates..... | 89 | Table D-11 |
| Ratios of Outstanding Debt by Type..... | 90 | Table D-12 |
| Ratios of General Bonded Debt Outstanding..... | 91 | Table D-13 |
| Direct and Overlapping Governmental Activities Debt..... | 92 | Table D-14 |
| Legal Debt Margin Information..... | 93 | Table D-15 |
| Pledged-Revenue Coverage..... | 94 | Table D-16 |
| Demographic and Economic Statistics..... | 95 | Table D-17 |
| Principal Employers..... | 96 | Table D-18 |
| Full-Time-Equivalent Employees by Function/Program..... | 97 | Table D-19 |
| Operating Indicators By Function/Program..... | 98 | Table D-20 |
| Capital Asset Statistics by Function/Program..... | 99 | Table D-21 |

Introductory Section

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January 30, 2016

TO: The Honorable Mayor, Members of the City Council, and the Citizens of Stephenville (the "City")

The Finance Department and City Administrator's Office are pleased to submit the Comprehensive Annual Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2015.

This report provides the city council, city staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the city government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Rutledge, Crain & Co., PC, has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY PROFILE



Location

The City is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of the state and the City's home rule charter. The City was incorporated in 1854 and chartered a home-rule city under Texas law in 1961. The City is located on the intersection of U.S. Highways 67, 281, and 377. The City occupies approximately 11.79 square miles and serves a population of about 19,560. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate city limits by annexation, which is done periodically when deemed appropriate by the city council.

The City operates under the mayor-council form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight (8) council members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city administrator. The city administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, and appointing heads of various departments. The mayor and city council members each serve two-year terms, and are elected at large. The basic financial

statements of the City include all governmental activities, organizations and functions for which the City is financially accountable as defined by the Government Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides a full range of services, including public safety (police, fire, and emergency medical), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm sewer collection and transmission systems, recreational activities and cultural events, landfill operations, airport facility maintenance as well as general administrative services.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation of the City's financial planning and control. The city council formally adopts the budget and legally appropriates available monies for activities of the General Fund, Special Revenue Funds and Debt Service Fund.

No later than August 1st each year, the city administrator submits to the city council a proposed budget which provides a complete plan for the fiscal year commencing October 1. The budget includes proposed expenditures and means of financing them. The proposed budget is made available for public inspection, and a public hearing is held to allow for citizen comment. After the public hearing, council may make changes to any item in the budget, except those fixed by law. No later than September 23, the budget is legally enacted by ordinance which sets the limit on expenditures during the fiscal year. Additional expenditures may be authorized in the case of grave public necessity to meet unusual and unforeseen conditions which could not have reasonably been foreseen at the time the budget was adopted.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level; however, expenditures are monitored monthly at the department level to ensure financial accountability by department directors. Management control of budgets is further maintained at the line item level within the department. The City also maintains an encumbrance accounting system to further

accomplish budgetary control. Under the City's financial policies, encumbered amounts in the General Fund at year's end lapse and balances flow forward as undesignated fund balances. For Capital Improvement Funds and Special Revenue Funds the encumbered amounts are reflected as a restriction of the fund balance at year's end. Encumbrances are generally re-appropriated as a part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION

Local Economy

The City serves as the center of commerce and recreation to over 40,000 Erath County residents. The City is the county seat and the principal commercial, medical, retail, educational and industrial center of Erath County. The City currently enjoys a fairly stable and diversified economic environment, bolstered by the strength of both the Cross Timbers area and the State of Texas. Our economy is based on agriculture, manufacturing, and Tarleton State University. Agriculture has long been Erath County's leading industry with livestock, especially beef, dairy and other livestock production. Erath County accounts for 27 % of the state's total milk production. The City is fortunate to have several manufacturing industries in town. Local manufacturing includes coated abrasives, oilfield related products, cream cheese, fiber gratings and fasteners, metal processing of electrical products, trailer customization, and forged pipe unions. Tarleton State University, a member of the Texas A&M System, provides further economic stability as the largest employer. The student body includes representatives from 220 Texas counties, 45 states, and 34 foreign countries. Tarleton's 2015 fall enrollment was still in excess of 12,000 students.

Stephenville ranks high in the state for a quality of work environment. As of September 2015, with unemployment at 4.2% statewide, Stephenville's unemployment was 3.84%. The city has adequate—yet below-average—wealth and income. According to the U. S. Census Bureau's 2014 American Community Survey published in 2015, Stephenville's median household income is \$35,015 compared to \$47,925 for DFW and \$53,482 for Texas. Also, according to the survey, the workforce is educated with 29.4% of the population having a bachelor's degree or higher, compared to 28% for DFW and 29.3% for Texas.

The stable property values, sales tax receipts and building activity reflect the area's positive economic climate. The City continues to have a low commercial vacancy rate coupled with new commercial and educational building construction. Creekside Townhomes has started phase 1, which consists of 111 units estimated at \$6 million dollars. The old Coca Cola plant has been redesigned and is now a 6 unit commercial building. Cricket Wireless has committed to one of the units and an urgent care clinic is in the works as well. Aldi grocery store has plans to come to Stephenville as well as Panda Express. We hope to see lots of new economic development coming to Stephenville with the newly appointed Stephenville Economic Development Association Board and their new director.

Long-Term Financial Planning

The City's ability to respond to on-going economic challenges will require careful long-range planning. The City has responded to the economy by fiscal conservatism and implementing operating budget efficiencies that have resulted in maintaining healthy fund balances in its general fund and water/wastewater funds.

Users of this document are encouraged to read the City's Fiscal Year 2015-2016 Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. Also available for reference is the City of Stephenville's Comprehensive Plan which was adopted in 2006 and maps out the City's future strategies.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, we have adopted accelerated funding as proposed by the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. The City does not provide for retiree health care. The City intends to provide a sustainable benefit to our employees without shifting costs to future tax payers.

Relevant Financial Policies

The City Council has adopted a series of financial standards and policies for operating and debt management. Management of the City has made every effort to comply with these standards and policies and believe we are currently in compliance.

The City Council Finance Committee meets on an as-needed basis to discuss financial and budgetary information, financial policies, fund balance reserve requirements and tax rate setting information. None of the City's financial policies had a significant impact on the current period's financial statements, as the City was able to maintain reserve levels within the stated policies for the governmental funds. Constant review of revenue and expenditure trends and reserve levels is maintained with specific responsibility assigned to the Finance Director and City Administrator. The City's Finance Department publishes a monthly financial report which provides internal and external users with the general awareness of the City's financial positions and economic activity.

Major Initiatives

The City currently has two projects underway. The Clark Field Municipal Airport is working on a runway extension project. This is a \$5 million dollar project with a 90/10 match coming from TXDOT Aviation. The environmental study is currently being done. The City is also working on expanding the Bosque River Trail. Land is being acquired for the expansion. The City is working on this project with TXDOT. It is an 80/20 match. Currently the City has no plans to issue debt.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Stephenville for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This award was the 29th consecutive year that the City of Stephenville has achieved this prestigious award. In order to be awarded a Certificate of

Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

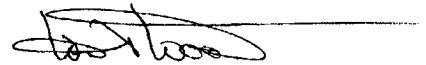
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire city staff. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council Members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Patrick C. Bridges
City Administrator



Walter G. Wood
Director of Finance & Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

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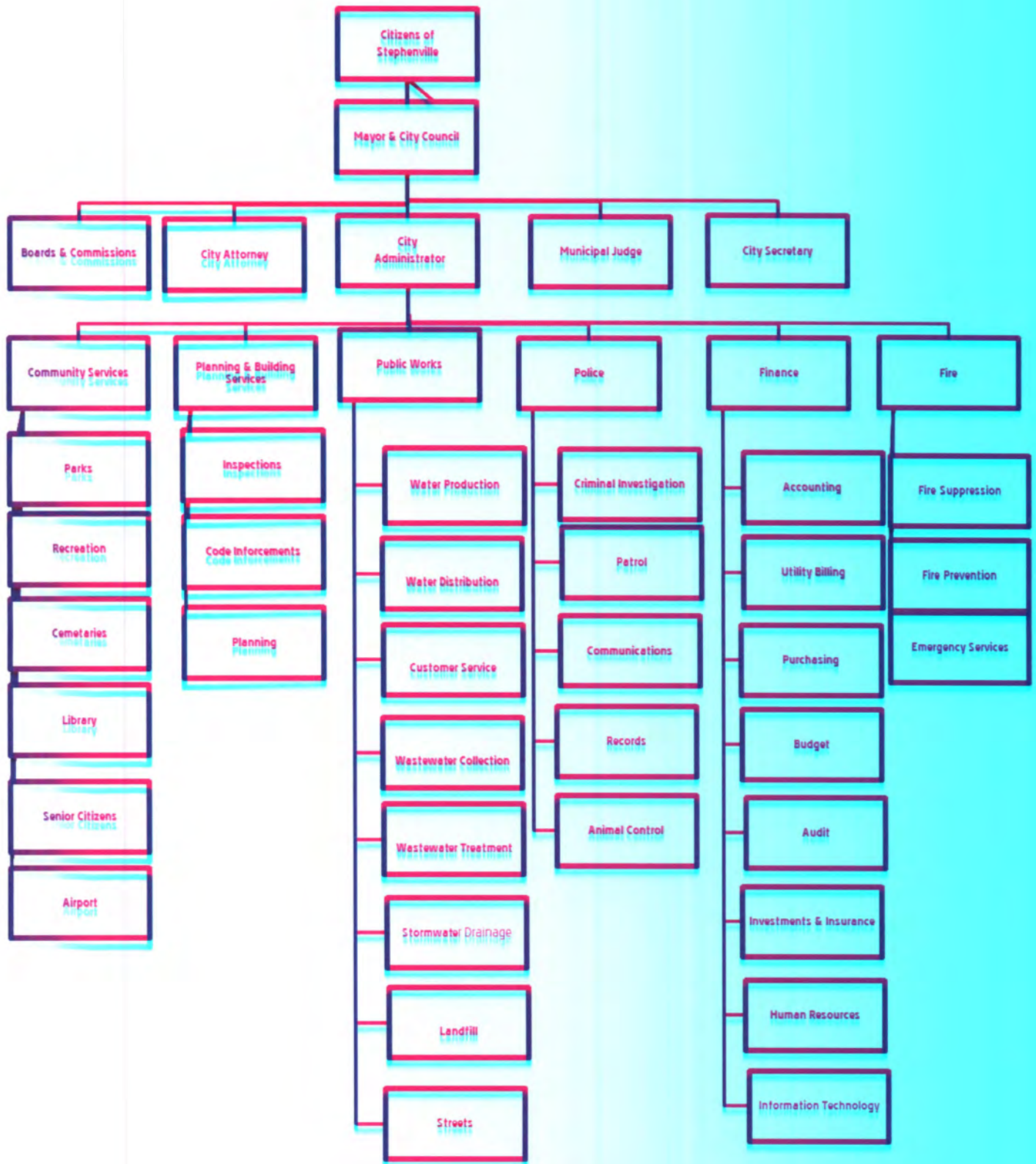
**City of Stephenville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014



Executive Director/CEO





Stephenville

City of Stephenville, Texas
298 W. Washington

Principal City Officials

City Council

Mayor: Kenny Weldon
Place 1: Mark McClinton
Place 2: Boyd Waggoner
Place 3: Doug Svien
Place 4: Russ McDanel
Place 5: Rhett Harrison
Place 6: Alan Nix
Place 7: Sherry Zachery
Place 8: Jerry Warren

Staff

City Administrator, Patrick C. Bridges
Director of Finance/Administration, Walter G. Wood
Director of Utilities, Nick Williams
Director of Planning & Building Services, Noah Cullis
Police Chief, Jason King
Fire Chief, Jimmy Chew
Director of Community Services, Jeremy Allen
City Secretary, Cindy Stafford

Financial Section

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Stephenville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 51-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

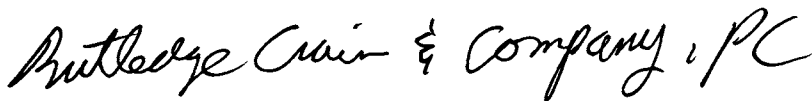
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stephenville, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Change in Accounting Principle

As discussed in Note V. F. to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rutledge Crain & Company, PC". The signature is written in a cursive, flowing style.

Arlington, Texas
January 15, 2016

Management's Discussion and Analysis

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CITY OF STEPHENVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2015 (Unaudited)

This section of the City of Stephenville's (City) annual financial report presents our discussion of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceed its liabilities as of September 30, 2015, by \$65,162,146 (net position). Of this amount, \$12,524,796 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$3,072,939. The majority of this increase is attributable to capital grants and excess revenue over expenditures. Due to the implementation of GASB 68, a prior period adjustment that resulted in a decrease to net position of (2,844,072) leaving a positive increase to net position of \$228,867.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,912,876, an increase of \$792,376 over the prior year. The increase in combined ending fund balances is attributable to revenues received being more than budgeted and expenditures being less than budgeted. Approximately 93% of this total amount, \$10,203,301 is available for spending at the government's discretion (assigned and unassigned fund balance).
- As of September 30, 2015, unassigned fund balance for the General Fund was \$6,786,574 or 52% of total General Fund expenditures.
- The City's total bond debt decreased by \$2,496,000 (11.84%) during the current fiscal year as a result of principal retirement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Stephenville's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred resources outflow, liabilities and deferred resources inflows with the difference reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the City of Stephenville is improving or deteriorating. The government-wide financial statements can be found on pages 17 -19 of this report.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensation absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, library, cemetery, culture and recreation, and community development. The business-type activities of the City include water and wastewater, storm water drainage, solid waste, and airport operations.

Reporting the City's Most Significant Funds

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state laws or bond covenants. The Council establishes other funds to control and manage money for particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants and other money. The City has two types of funds: governmental funds and proprietary funds.

Governmental Funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase or decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements. The basic governmental fund financial statements can be found on pages 20-23 of this report.

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements and schedules elsewhere in this report.

Proprietary Funds. The City charges customers for the services it provides through service delivery agreements to outside customers or through customer service agreements within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but with additional detail and information, such as cash flows. Individual proprietary fund data is found on pages 24 – 26 of this report.

The City maintains one type of proprietary fund-Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Funds to account for water, wastewater, storm water drainage, solid waste, and airport operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements. The notes to the financial statements can be found on pages 27 – 47 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in the form of combining fund statements and schedules for nonmajor funds. These are presented immediately following the notes to the financial statements beginning on page 60 of this report.

THE CITY AS A WHOLE

GOVERNMENT WIDE FINANCIAL ANALYSIS

For the purposes of analysis, prior year net position has been restated for the effects of implementing GASB 68, see note V.F. The City's combined net assets were \$65,162,146 as of September 30, 2015, an increase of .35% compared to fiscal year ending 2014. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$38,553,935, an increase of \$1,693,821 over the adjusted prior year. The governmental activities net position is \$26,608,211, an increase of \$1,379,118 over the adjusted prior year.

By far, the largest portion of the City's net position (79 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$1,447,212, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$12,524,796, may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2015, the City is able to report positive balances in all three categories of net position, both for government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year. Overall, the City had an increase in net assets of \$228,867.

CITY OF STEPHENVILLE'S NET POSITION

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| Assets | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 12,270,811 | \$ 11,628,579 | \$ 6,835,155 | \$ 6,421,755 | \$ 19,105,966 | \$ 18,050,334 |
| Capital assets | 22,504,943 | 22,359,389 | 50,770,493 | 48,512,543 | 73,275,436 | 70,871,932 |
| Total assets | <u>34,775,754</u> | <u>33,987,968</u> | <u>57,605,648</u> | <u>54,934,298</u> | <u>92,381,402</u> | <u>88,922,266</u> |
| Deferred Resources Outflow | <u>1,001,910</u> | <u>20,692</u> | <u>213,224</u> | <u>68,587</u> | <u>1,215,134</u> | <u>89,279</u> |
| Liabilities | | | | | | |
| Current liabilities | 1,011,208 | 1,082,158 | 909,294 | 1,098,685 | 1,920,502 | 2,180,843 |
| Non Current liabilities | 8,132,715 | 5,228,754 | 18,338,961 | 16,655,229 | 26,471,676 | 21,883,983 |
| Total liabilities | <u>9,143,923</u> | <u>6,310,912</u> | <u>19,248,255</u> | <u>17,753,914</u> | <u>28,392,178</u> | <u>24,064,826</u> |
| Deferred Resources Inflow | <u>25,530</u> | <u>-</u> | <u>16,682</u> | <u>13,440</u> | <u>42,212</u> | <u>13,440</u> |
| Net Position: | | | | | | |
| Net investment in capital asset: | 18,038,284 | 18,024,389 | 33,151,854 | 32,099,918 | 51,190,138 | 50,124,307 |
| Restricted | 427,493 | 523,019 | 1,019,719 | 1,023,271 | 1,447,212 | 1,546,290 |
| Unrestricted | 8,142,434 | 9,150,340 | 4,382,362 | 4,112,342 | 12,524,796 | 13,262,682 |
| Total net assets | <u>\$ 26,608,211</u> | <u>\$ 27,697,748</u> | <u>\$ 38,553,935</u> | <u>\$ 37,235,531</u> | <u>\$ 65,162,146</u> | <u>\$ 64,933,279</u> |

Governmental Activities. The table on the following page provides a summary of the City's operations for the year ended September 30, 2015, with comparative totals for the year ended September 30, 2014. Governmental activities increased the City's net position by \$1,379,118 or 45% of the total growth in net assets.

The City's total revenues for governmental activities increased from the previous year by \$86,478 or .6%. General revenues increased \$454,720 or 3.72% compared to prior year.

The ad valorem tax revenue increased \$46,167 or .94% compared to prior year. This increase was due to an increase in net assessed taxable value from \$983 million in the prior fiscal year to \$1,005 billion in the current fiscal year.

Sales tax revenue increased \$232,874 or 4.07% compared to the prior year. This increase was primarily due to the economic development incentives given to Tejas Tubular and FMC as well as the continued growth at Tarleton State University.

CITY OF STEPHENVILLE'S CHANGES IN NET POSITION

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,594,397 | \$ 1,862,193 | \$ 8,159,939 | \$ 7,888,627 | \$ 9,754,336 | \$ 9,750,820 |
| Operating grants | 147,200 | 63,038 | - | - | 147,200 | 63,038 |
| Capital grants and contributions | 3,654 | 188,262 | 175,651 | 109,614 | 179,305 | 297,876 |
| General revenues: | | | | | | |
| Property taxes | 4,962,981 | 4,916,814 | - | - | 4,962,981 | 4,916,814 |
| Sales taxes | 5,718,579 | 5,485,705 | - | - | 5,718,579 | 5,485,705 |
| Franchise taxes | 1,968,456 | 1,566,671 | - | - | 1,968,456 | 1,566,671 |
| Other taxes | 59,163 | 50,288 | - | - | 59,163 | 50,288 |
| Gain on sale of capital assets | - | 110,122 | - | - | - | 110,122 |
| Investment earnings | 5,990 | 6,157 | 4,891 | 4,032 | 10,881 | 10,189 |
| Insurance | 63,740 | - | - | - | 63,740 | - |
| Miscellaneous | 164,842 | 100,731 | 50,398 | - | 215,240 | 100,731 |
| Total revenues | <u>14,689,002</u> | <u>14,349,981</u> | <u>8,390,879</u> | <u>8,002,273</u> | <u>23,079,881</u> | <u>22,352,254</u> |
| Expenses: | | | | | | |
| General government | 1,922,897 | 2,353,191 | - | - | 1,922,897 | 2,353,191 |
| Public safety | 7,879,067 | 6,948,549 | - | - | 7,879,067 | 6,948,549 |
| Streets | 1,462,172 | 1,274,173 | - | - | 1,462,172 | 1,274,173 |
| Culture and recreation | 1,705,654 | 2,037,539 | - | - | 1,705,654 | 2,037,539 |
| Community development | 471,855 | 444,401 | - | - | 471,855 | 444,401 |
| Interest on long-term debt | 77,063 | 108,289 | - | - | 77,063 | 108,289 |
| Water and wastewater | - | - | 5,326,721 | 5,237,160 | 5,326,721 | 5,237,160 |
| Storm water drainage | - | - | 558,501 | 528,208 | 558,501 | 528,208 |
| Sanitary landfill | - | - | 395,474 | 305,179 | 395,474 | 305,179 |
| Airport | - | - | 207,538 | 193,368 | 207,538 | 193,368 |
| Total expenses | <u>13,518,708</u> | <u>13,166,142</u> | <u>6,488,234</u> | <u>6,263,915</u> | <u>20,006,942</u> | <u>19,430,057</u> |
| Increases in net position before transfers | 1,170,294 | 1,183,839 | 1,902,645 | 1,738,358 | 3,072,939 | 2,922,197 |
| Transfers | <u>208,824</u> | <u>255,044</u> | <u>(208,824)</u> | <u>(255,044)</u> | <u>-</u> | <u>-</u> |
| Change in net position | 1,379,118 | 1,438,883 | 1,693,821 | 1,483,314 | 3,072,939 | 2,922,197 |
| Net position-beginning | 27,697,748 | 26,258,865 | 37,235,531 | 35,752,217 | 64,933,279 | 62,011,082 |
| Prior period adjustment | <u>(2,468,655)</u> | <u>-</u> | <u>(375,417)</u> | <u>-</u> | <u>(2,844,072)</u> | <u>-</u> |
| Net position-ending | <u>\$ 26,608,211</u> | <u>\$ 27,697,748</u> | <u>\$ 38,553,935</u> | <u>\$ 37,235,531</u> | <u>\$ 65,162,146</u> | <u>\$ 64,933,279</u> |

Business-type Activities. Net position from business-type activities increased by \$1,693,821, accounting for 55% of the total growth in net position. The change in net position of business-type activities remained relatively consistent with the prior year due to the offsetting effects of changes in revenues and transfers.

Revenues of the City's business-type activities were approximately \$8 million for the fiscal year ended September 30, 2015. Revenues increased \$388,606 or 4.86% compared to the prior fiscal year. The increase was primarily due to the flow of resources between governmental activities and business-type activities through transfers reversed from the prior year because of a decrease in grant-matching requirements normally funded by governmental activities.

Expenses for the City's business-type activities decreased \$224,319 or 3.58%. Net position from business-type activities increased by \$1,693,821 or 4.59 percent, from \$36,860,114 (adjusted) to \$38,553,935, accounting for the other 55 percent of the total growth in net assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,912,876, an increase of \$792,376 from the prior year. Approximately 93.5% of this total amount, \$10,203,301, constitutes assigned and unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending. Refer to Exhibit A-3 on page 20 of this report for a more detailed presentation of governmental fund balances.

In the General Fund, the City budgeted for a decrease in the fund balance on a budget basis of \$715,837, but due to actual revenues being more than budgeted and actual expenditures being less than budgeted, the fund balance actually increased by \$913,723 during the current fiscal year. Sales tax collections increased by 4.1% from the previous year but the City collected \$248,579 or 4.5% more than budgeted. Other actual revenues collected were also higher than budgeted: 1) current year and delinquent property taxes were collected at higher rates than projected but were still under budget by \$21,928; 2) service charges were \$61,793 more than budgeted; and 3) miscellaneous was higher than budgeted by \$81,741. Expenditures were lower than budgeted across all functions.

The Debt Service Fund has an ending fund balance of \$143,058, a decrease of .8 percent over the prior year, all of which is reserved for the repayment of debt.

The Special Revenue Funds have a fund balance of \$280,092, a decrease of 9.8 percent over the prior year, all of which is restricted for the special programs defined by revenue source.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net positions of the City's Enterprise Funds at the end of the year amounted to \$4,382,364. The increase in net assets was \$235,996. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$1,239,570 increase in appropriations between the original budget and final amended budget. Following are the main components of the increase:

- \$ 25,000 additional appropriation to remodel/repair Senior Center.
- \$139,000 additional appropriation for Legal Counsel.
- \$198,000 additional appropriation for the trail extension to Bosque River Trail.
- \$268,000 additional appropriation for the Harbin Street Repair.
- \$385,000 additional appropriation for repairs to facilities from the April hail storm.

Even with these increases in appropriations, the excess in revenues during the year was sufficient to fund these increases without reducing the budgeted General Fund fund balance.

Actual expenditures on a budgetary basis were \$13,142,687 compared to the final budget expenditures of \$14,560,596. This \$1,417,909 variance was primarily attributable to capital projects not initiated during the year, due to close monitoring of expenditures by departments and performing better than anticipated. Actual revenues on a budgetary basis were \$13,658,743 compared to the final budget of \$13,199,284. The \$459,459 variance was due primarily to increases in sales taxes and franchise fees.

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$73,275,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park facilities and infrastructure.

Major capital asset events occurring during the current fiscal year include the following:

- Replaced Animal Control Truck for \$68,500
- Replaced CAT 420F Backhoe at Water Department for \$73,000
- West-End Cemetery Water Line relocate project \$103,000
- West Gate Sanitary Sewer Line relocate project \$140,000
- North Trail Head extension into City Park \$175,000
- Roof Replacement at City Facilities (Hail Storm) \$295,000

CITY OF STEPHENVILLE'S CAPITAL ASSETS AT YEAR-END

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 2,457,311 | \$ 2,367,036 | \$ 2,434,794 | \$ 2,434,794 | \$ 4,892,105 | \$ 4,801,830 |
| Buildings and improvements | 6,909,958 | 6,559,482 | 19,548,118 | 19,451,965 | 26,458,076 | 26,011,447 |
| Equipment | 8,654,788 | 8,148,306 | 3,744,125 | 3,167,770 | 12,398,913 | 11,316,076 |
| Infrastructure | 21,223,095 | 21,027,131 | 56,481,588 | 52,819,780 | 77,704,683 | 73,846,911 |
| Construction in progress | - | - | 16,993 | 219,275 | 16,993 | 219,275 |
| Less: accumulated depreciation | (16,740,209) | (15,742,584) | (31,455,125) | (29,581,041) | (48,195,334) | (45,323,625) |
| Total Capital Assets | \$ 22,504,943 | \$ 22,359,371 | \$ 50,770,493 | \$ 48,512,543 | \$ 73,275,436 | \$ 70,871,914 |

Additional information on the City's capital assets can be found on page 36 – 38 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt of \$18,580,850. Of this amount, \$4,335,000 represents bonded debt backed by the full faith and credit of the City, \$7,595,000 represents utility revenue bonds secured by water and sewer revenues and \$65,850 represents revenue bonds secured by airport revenues, and \$6,585,000 secured by storm water drainage revenues.

OUTSTANDING DEBT AT YEAR-END

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Certificates of obligation | \$ 4,335,000 | \$ 4,840,000 | \$ - | \$ - | \$ 4,335,000 | \$ 4,840,000 |
| Revenue bonds payable | - | - | 14,245,850 | 16,236,850 | 14,245,850 | 16,236,850 |
| Total Debt | \$ 4,335,000 | \$ 4,840,000 | \$ 14,245,850 | \$ 16,236,850 | \$ 18,580,850 | \$ 21,076,850 |

The City's General Obligation, Tax and Certificates of Obligation Bond ratings are listed below.

| | Moody's <u>Investors Service</u> | Standard and Poor's |
|--------------------------|-------------------------------------|------------------------|
| General Obligation Bonds | A3 | AA- |

Additional information on the City's long term-debt can be found in pages 38 – 41 this report.

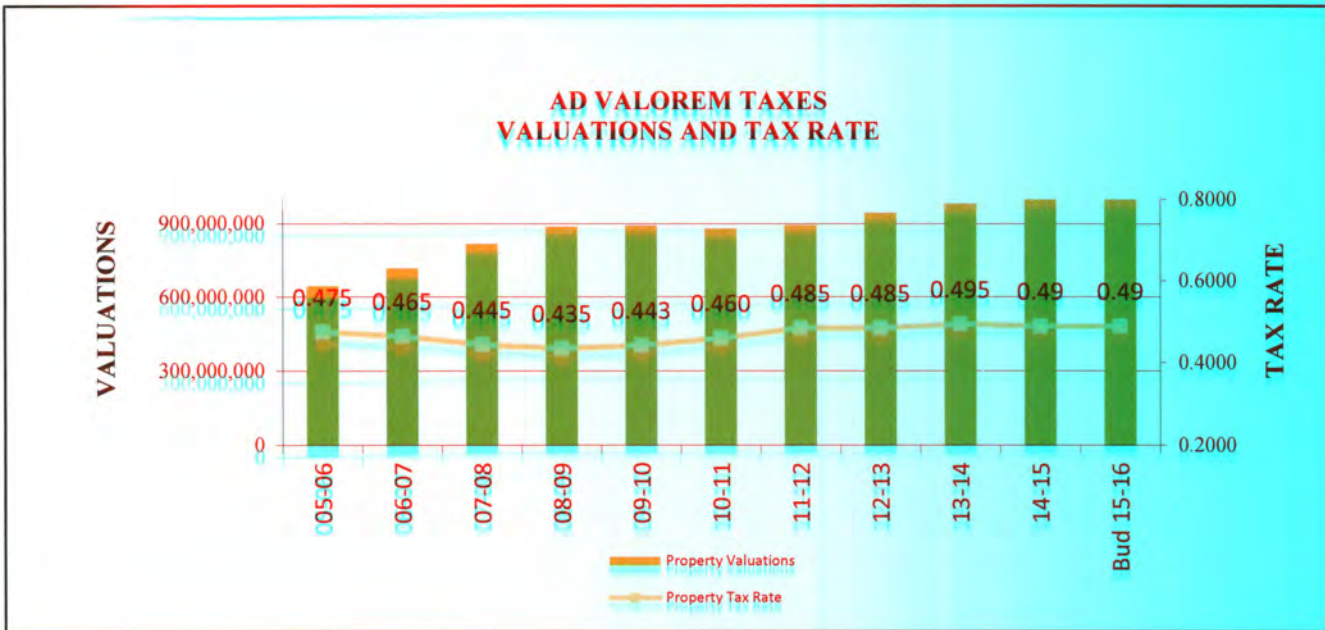
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the City of Stephenville as of the fiscal year-end was 3.84% compared to the prior year rate of 4.74% which is an indication that the local economy is moving in a positive direction. This rate compares favorably with state and national unemployment levels.

Sales tax collections for 2014-2015 were up by 4.07% compared to the previous year and collections still exceeded budget by \$248,579. Economy seems to be improving but we are still taking a conservative approach in determining estimated collections for the upcoming budget year. The City implemented an Economic 4B incentive so accordingly our Sales Tax budget reflects the decrease in overall Sale Tax that will be collected.



The above factors were considered in preparing the City of Stephenville's budget for the 2015-16 fiscal year. Next years' budget is based upon a property tax rate equal to \$.4900 per \$100 valuation. Certified taxable property value for 2015 is \$1,060,320,946. This is a 5.44% increase over the last year's values, or \$55 million. The largest portion of the increase, \$16.8 million, is new property coming onto the tax rolls \$15.1 million from new business personal property with the remainder of the increase due to the reevaluation of existing property.



The City uses reserves from the General Fund to supplement capital projects during the year as needs arise and where favorable unit pricing is received on such projects. Additionally, the City's Fiscal Management Practices call for the designation of any surplus of revenues over expenses at fiscal year-end as a means of providing resources for major capital projects. There are ample funds for transfers during FY 2015-16, should the City Council so desire, and still retain the minimum fund balance provisions established by the Fiscal Management Practices.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Walter G. Wood, Director of Finance, 298 West Washington, Stephenville, Texas 76401-4257 or call (254) 918-1211.

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Basic Financial Statements

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CITY OF STEPHENVILLE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| <i>Cash and cash equivalents</i> | \$ 10,110,837 | \$ 4,119,554 | \$ 14,230,391 |
| Receivables (net of allowances for uncollectibles): | | | |
| <i>Taxes</i> | 1,264,270 | -- | 1,264,270 |
| <i>Accounts</i> | 369,927 | 1,551,213 | 1,921,140 |
| <i>Fines</i> | 512,204 | -- | 512,204 |
| <i>Other</i> | 5,474 | 2,650 | 8,124 |
| <i>Intergovernmental</i> | 1,083 | -- | 1,083 |
| <i>Inventories</i> | 7,016 | -- | 7,016 |
| Restricted assets: | | | |
| <i>Cash and cash equivalents</i> | -- | 1,161,738 | 1,161,738 |
| Capital Assets (net of accumulated depreciation): | | | |
| <i>Land</i> | 2,457,311 | 2,434,794 | 4,892,105 |
| <i>Buildings and improvements</i> | 6,909,958 | 19,548,118 | 26,458,076 |
| <i>Machinery and equipment</i> | 8,654,788 | 3,744,125 | 12,398,913 |
| <i>Infrastructure/water and wastewater distribution</i> | 21,223,095 | 56,481,588 | 77,704,683 |
| <i>Construction in progress</i> | -- | 16,993 | 16,993 |
| <i>Accumulated depreciation</i> | (16,740,209) | (31,455,125) | (48,195,334) |
| Total Assets | <u>34,775,754</u> | <u>57,605,648</u> | <u>92,381,402</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| <i>Deferred charges</i> | 1,001,910 | 213,224 | 1,215,134 |
| Total Deferred Outflows of Resources | <u>1,001,910</u> | <u>213,224</u> | <u>1,215,134</u> |
| LIABILITIES: | | | |
| <i>Accounts payable</i> | 274,701 | 533,439 | 808,140 |
| <i>Other payables and accrued liabilities</i> | 312,758 | 27,565 | 340,323 |
| <i>Accrued interest payable</i> | 9,720 | 74,788 | 84,508 |
| <i>Customer deposits</i> | -- | 273,502 | 273,502 |
| <i>Due to other governments</i> | 414,029 | -- | 414,029 |
| Noncurrent liabilities: | | | |
| <i>Due within one year</i> | 736,890 | 2,474,367 | 3,211,257 |
| <i>Due in more than one year</i> | 7,395,825 | 15,864,594 | 23,260,419 |
| Total Liabilities | <u>9,143,923</u> | <u>19,248,255</u> | <u>28,392,178</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| <i>Unearned revenue</i> | 25,530 | 16,682 | 42,212 |
| Total deferred inflow of resources | <u>25,530</u> | <u>16,682</u> | <u>42,212</u> |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 18,038,284 | 33,151,854 | 51,190,138 |
| Restricted For: | | | |
| Debt Service | 148,084 | 1,019,719 | 1,167,803 |
| Capital Projects | 279,409 | -- | 279,409 |
| Unrestricted | 8,142,434 | 4,382,362 | 12,524,796 |
| Total Net Position | <u>\$ 26,608,211</u> | <u>\$ 38,553,935</u> | <u>\$ 65,162,146</u> |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 1,922,897 | \$ 22,648 | \$ -- | \$ -- |
| Public safety | 7,879,067 | 989,630 | 128,773 | 3,654 |
| Streets | 1,462,172 | 42,749 | -- | -- |
| Culture and recreation | 1,705,654 | 321,565 | 18,427 | -- |
| Community development | 471,855 | 217,805 | -- | -- |
| Interest on long-term debt | 77,063 | -- | -- | -- |
| Total governmental activities | 13,518,708 | 1,594,397 | 147,200 | 3,654 |
| Business-type Activities: | | | | |
| Water and Wastewater Enterprise | 5,326,721 | 6,485,177 | -- | 162,316 |
| Sanitary Landfill Enterprise | 395,474 | 955,391 | -- | -- |
| Airport Enterprise | 207,538 | 107,544 | -- | 13,335 |
| Storm Water Drainage | 558,501 | 611,827 | -- | -- |
| Total Business-type Activities | 6,488,234 | 8,159,939 | -- | 175,651 |
| Total Primary Government | \$ 20,006,942 | \$ 9,754,336 | \$ 147,200 | \$ 179,305 |

General Revenues:

Taxes:

Property - general purposes

Property - debt service

Sales

Franchise

Other

Alcoholic Beverage Taxes

Unrestricted Investment Earnings

Miscellaneous

Insurance proceeds

Gain (loss) on Disposal of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,900,249) | | \$ (1,900,249) |
| (6,757,010) | | (6,757,010) |
| (1,419,423) | | (1,419,423) |
| (1,365,662) | | (1,365,662) |
| (254,050) | | (254,050) |
| (77,063) | | (77,063) |
| <u>(11,773,457)</u> | | <u>(11,773,457)</u> |
| -- | \$ 1,320,772 | 1,320,772 |
| -- | 559,917 | 559,917 |
| -- | (86,659) | (86,659) |
| -- | 53,326 | 53,326 |
| <u>--</u> | <u>1,847,356</u> | <u>1,847,356</u> |
| <u>(11,773,457)</u> | <u>1,847,356</u> | <u>(9,926,101)</u> |
| 4,386,134 | -- | 4,386,134 |
| 576,847 | -- | 576,847 |
| 5,718,579 | -- | 5,718,579 |
| 1,525,602 | -- | 1,525,602 |
| 442,854 | -- | 442,854 |
| 59,163 | -- | 59,163 |
| 5,990 | 4,891 | 10,881 |
| 164,842 | 33,292 | 198,134 |
| 63,740 | -- | 63,740 |
| -- | 17,106 | 17,106 |
| 208,824 | (208,824) | -- |
| <u>13,152,575</u> | <u>(153,535)</u> | <u>12,999,040</u> |
| 1,379,118 | 1,693,821 | 3,072,939 |
| 27,697,748 | 37,235,531 | 64,933,279 |
| (2,468,655) | (375,417) | (2,844,072) |
| <u>\$ 26,608,211</u> | <u>\$ 38,553,935</u> | <u>\$ 65,162,146</u> |

CITY OF STEPHENVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| <i>Cash and cash equivalents</i> | \$ 8,984,737 | \$ 1,126,100 | \$ 10,110,837 |
| <i>Receivables (net of allowances for uncollectibles):</i> | | | |
| <i>Taxes</i> | 1,184,726 | 79,544 | 1,264,270 |
| <i>Fines</i> | 512,204 | -- | 512,204 |
| <i>Accounts</i> | 369,927 | -- | 369,927 |
| <i>Other</i> | -- | 5,474 | 5,474 |
| <i>Intergovernmental</i> | -- | 1,083 | 1,083 |
| <i>Inventories</i> | 7,016 | -- | 7,016 |
| Total Assets | \$ 11,058,610 | \$ 1,212,201 | \$ 12,270,811 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| <i>Liabilities:</i> | | | |
| <i>Accounts payable</i> | \$ 186,812 | \$ 87,889 | \$ 274,701 |
| <i>Other payables and accrued liabilities</i> | 312,758 | -- | 312,758 |
| <i>Due to other governments</i> | 414,029 | -- | 414,029 |
| Total Liabilities | 913,599 | 87,889 | 1,001,488 |
| <i>Deferred Inflows of Resources:</i> | | | |
| <i>Deferred revenue</i> | 351,421 | 5,026 | 356,447 |
| Total Deferred Inflows of Resources | 351,421 | 5,026 | 356,447 |
| <i>Fund Balances:</i> | | | |
| <i>Nonspendable</i> | 7,016 | -- | 7,016 |
| <i>Restricted</i> | -- | 702,559 | 702,559 |
| <i>Assigned</i> | 3,000,000 | 416,727 | 3,416,727 |
| <i>Unassigned</i> | 6,786,574 | -- | 6,786,574 |
| Total fund balances | 9,793,590 | 1,119,286 | 10,912,876 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 11,058,610 | \$ 1,212,201 | \$ 12,270,811 |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Total fund balances - governmental funds balance sheet \$ 10,912,876

Amounts reported for governmental activities in the Statement of Net Position
are different because:

| | |
|--|-------------|
| Capital assets used in governmental activities are not reported in the funds. | 22,504,943 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 44,377 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (4,352,721) |
| Payables for capital leases which are not due in the current period are not reported in the funds. | (113,938) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (9,720) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (391,490) |
| Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. | 19,574 |
| Court fines receivable unavailable to pay for current period expenditures are deferred in the funds. | 98,174 |
| Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds. | 213,896 |
| Recognition of the City's proportionate share of the net pension liability is not reported in the funds. | (3,274,566) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (25,530) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 982,336 |

Net position of governmental activities - Statement of Net Position \$ 26,608,211

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Revenue: | | | |
| <i>Taxes</i> | \$ 11,709,391 | \$ 1,023,850 | \$ 12,733,241 |
| <i>Service charges</i> | 1,111,193 | -- | 1,111,193 |
| <i>Fines and forfeitures</i> | 240,542 | 17,842 | 258,384 |
| <i>Licenses and permits</i> | 227,979 | -- | 227,979 |
| <i>Intergovernmental</i> | 196,980 | 3,654 | 200,634 |
| <i>Investment earnings</i> | 4,717 | 1,273 | 5,990 |
| <i>Miscellaneous</i> | 167,941 | -- | 167,941 |
| Total revenues | <u>13,658,743</u> | <u>1,046,619</u> | <u>14,705,362</u> |
| Expenditures: | | | |
| <i>General government</i> | 1,922,184 | -- | 1,922,184 |
| <i>Public safety</i> | 7,173,154 | 494,846 | 7,668,000 |
| <i>Highways and streets</i> | 968,092 | -- | 968,092 |
| <i>Culture and recreation</i> | 1,809,731 | 43,708 | 1,853,439 |
| <i>Community development</i> | 456,196 | -- | 456,196 |
| <i>Capital outlay</i> | 813,330 | 46,567 | 859,897 |
| Debt service: | | | |
| <i>Principal</i> | -- | 505,000 | 505,000 |
| <i>Interest and fiscal charges</i> | -- | 77,845 | 77,845 |
| Total expenditures | <u>13,142,687</u> | <u>1,167,966</u> | <u>14,310,653</u> |
| Excess (deficiency) of revenues (under) expenditures | 516,056 | (121,347) | 394,709 |
| Other financing sources (uses): | | | |
| <i>Transfers in</i> | 208,824 | -- | 208,824 |
| <i>Insurance proceeds</i> | 63,740 | -- | 63,740 |
| <i>Sale of general capital assets</i> | 11,165 | -- | 11,165 |
| <i>Capital leases</i> | 113,938 | -- | 113,938 |
| Total other financing sources (uses) | <u>397,667</u> | <u>--</u> | <u>397,667</u> |
| Net change in fund balances | 913,723 | (121,347) | 792,376 |
| Fund balances, October 1 | 8,879,867 | 1,240,633 | 10,120,500 |
| Fund balances, September 30 | <u>\$ 9,793,590</u> | <u>\$ 1,119,286</u> | <u>\$ 10,912,876</u> |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 792,376 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 1,203,522 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (1,038,187) |
| The gain or loss on the sale of capital assets is not reported in the funds. | (19,763) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (24,061) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 505,000 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | 782 |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | (21,470) |
| Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year. | (23,231) |
| Revenues in the SOA for court fines not providing current financial resources are not reported in the funds. | (32,807) |
| Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds. | (113,938) |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. | 150,895 |
| Change in net position of governmental activities - Statement of Activities | \$ <u>1,379,118</u> |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2015

| | Enterprise Fund | Enterprise Fund | Nonmajor Enterprise Funds | Total Enterprise Funds |
|--------------------------------------|-------------------------|-------------------------|---------------------------------|------------------------------|
| | Water and Wastewater | Storm Water Drainage | | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 2,630,003 | \$ 620,505 | \$ 869,046 | \$ 4,119,554 |
| Accounts receivable - net | 1,419,844 | 79,115 | 52,254 | 1,551,213 |
| Other receivables | 2,650 | -- | -- | 2,650 |
| Total Current Assets | <u>4,052,497</u> | <u>699,620</u> | <u>921,300</u> | <u>5,673,417</u> |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | 891,768 | 269,970 | -- | 1,161,738 |
| Capital assets: | | | | |
| Land | 1,515,395 | -- | 919,399 | 2,434,794 |
| Buildings and improvements | 2,367,988 | 10,978,330 | 6,201,800 | 19,548,118 |
| Machinery and equipment | 1,965,902 | -- | 1,778,223 | 3,744,125 |
| Water and wastewater distribution | 56,481,588 | -- | -- | 56,481,588 |
| Construction in progress | -- | -- | 16,993 | 16,993 |
| Less accumulated depreciation | (27,211,503) | (1,586,798) | (2,656,824) | (31,455,125) |
| Total capital assets | <u>35,119,370</u> | <u>9,391,532</u> | <u>6,259,591</u> | <u>50,770,493</u> |
| Total noncurrent assets | <u>36,011,138</u> | <u>9,661,502</u> | <u>6,259,591</u> | <u>51,932,231</u> |
| Total Assets | <u>40,063,635</u> | <u>10,361,122</u> | <u>7,180,891</u> | <u>57,605,648</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred charges | 153,680 | 42,115 | 17,429 | 213,224 |
| Total Deferred outflow of resources | <u>\$ 153,680</u> | <u>\$ 42,115</u> | <u>\$ 17,429</u> | <u>\$ 213,224</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 529,817 | \$ -- | \$ 3,622 | \$ 533,439 |
| Accrued liabilities | 23,944 | -- | 3,621 | 27,565 |
| Accrued interest payable | 39,892 | 29,903 | 4,993 | 74,788 |
| Customer deposits | 271,602 | -- | 1,900 | 273,502 |
| Compensated absences payable | 45,424 | -- | 6,187 | 51,611 |
| Bonds payable | 1,790,000 | 270,000 | 22,000 | 2,082,000 |
| Total Current Liabilities | <u>2,700,679</u> | <u>299,903</u> | <u>42,323</u> | <u>3,042,905</u> |
| Long-term Liabilities: | | | | |
| Compensated absences payable | 15,141 | -- | 2,062 | 17,203 |
| Revenue bonds payable | 5,832,540 | 6,498,438 | 43,827 | 12,374,805 |
| Capital lease | 2,778,834 | -- | 383,000 | 3,161,834 |
| Liability for landfill closure | -- | -- | 153,534 | 153,534 |
| Net pension liability | 439,878 | -- | 58,096 | 497,974 |
| Total Long-term Liabilities | <u>9,066,393</u> | <u>6,498,438</u> | <u>640,519</u> | <u>16,205,350</u> |
| Total Liabilities | <u>11,767,072</u> | <u>6,798,341</u> | <u>682,842</u> | <u>19,248,255</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unearned revenue | 3,429 | -- | 13,253 | 16,682 |
| Total deferred inflow of resources | <u>3,429</u> | <u>--</u> | <u>13,253</u> | <u>16,682</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 24,717,995 | 2,623,094 | 5,810,763 | 33,151,852 |
| Restricted for debt service | 779,652 | 240,067 | -- | 1,019,719 |
| Unrestricted | <u>2,949,167</u> | <u>741,735</u> | <u>691,462</u> | <u>4,382,364</u> |
| Total Net Position | <u>\$ 28,446,814</u> | <u>\$ 3,604,896</u> | <u>\$ 6,502,225</u> | <u>\$ 38,553,935</u> |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | Enterprise Fund | Enterprise Fund | Nonmajor Enterprise Funds | Total Enterprise Funds |
|--|-------------------------|-------------------------|---------------------------------|------------------------------|
| | Water and Wastewater | Storm Water Drainage | | |
| OPERATING REVENUES: | | | | |
| Water sales | \$ 3,536,386 | \$ -- | \$ -- | \$ 3,536,386 |
| Wastewater charges | 2,602,862 | -- | -- | 2,602,862 |
| Tap and collection fees | 271,543 | -- | -- | 271,543 |
| Delinquent charges | 52,420 | 1,487 | -- | 53,907 |
| Gate charges | -- | -- | 955,391 | 955,391 |
| Hanger rental | -- | -- | 102,671 | 102,671 |
| Storm water drainage fees | -- | 610,340 | -- | 610,340 |
| Other service charges | 21,966 | -- | 4,873 | 26,839 |
| Total Operating Revenues | <u>6,485,177</u> | <u>611,827</u> | <u>1,062,935</u> | <u>8,159,939</u> |
| OPERATING EXPENSES: | | | | |
| Personnel services | 1,155,381 | -- | 176,636 | 1,332,017 |
| Contractual services | 1,273,206 | -- | 38,734 | 1,311,940 |
| Utilities | 445,622 | -- | 30,293 | 475,915 |
| Repairs and maintenance | 512,028 | 46,780 | 27,482 | 586,290 |
| Other | 245,377 | -- | 42,591 | 287,968 |
| Depreciation and amortization | 1,387,990 | 274,458 | 279,147 | 1,941,595 |
| Total Operating Expenses | <u>5,019,604</u> | <u>321,238</u> | <u>594,883</u> | <u>5,935,725</u> |
| Operating Income (Loss) | <u>1,465,573</u> | <u>290,589</u> | <u>468,052</u> | <u>2,224,214</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Intergovernmental revenue | 162,316 | -- | -- | 162,316 |
| Interest revenue | 4,419 | 435 | 37 | 4,891 |
| Miscellaneous income | 22,358 | -- | 24,269 | 46,627 |
| Gain on sale of assets | 17,106 | -- | -- | 17,106 |
| Interest expense | (307,117) | (237,263) | (8,129) | (552,509) |
| Total Non-operating Revenues (Expenses) | <u>(100,918)</u> | <u>(236,828)</u> | <u>16,177</u> | <u>(321,569)</u> |
| Net Income (Loss) before Operating Transfers | <u>1,364,655</u> | <u>53,761</u> | <u>484,229</u> | <u>1,902,645</u> |
| TRANSFERS: | | | | |
| Transfers in | 10,536 | -- | -- | 10,536 |
| Transfers out | (208,824) | -- | (10,536) | (219,360) |
| Net income | <u>1,166,367</u> | <u>53,761</u> | <u>473,693</u> | <u>1,693,821</u> |
| Net position, October 1 | 27,612,066 | 3,551,135 | 6,072,330 | 37,235,531 |
| Prior Period Adjustment | <u>(331,619)</u> | <u>--</u> | <u>(43,798)</u> | <u>(375,417)</u> |
| Net position, September 30 | <u>\$ 28,446,814</u> | <u>\$ 3,604,896</u> | <u>\$ 6,502,225</u> | <u>\$ 38,553,935</u> |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Enterprise Funds | | | |
|---|-------------------------|-------------------------|---------------------------------|------------------------------|
| | Water and Wastewater | Storm Water Drainage | Nonmajor Enterprise Funds | Total Enterprise Funds |
| Cash Flows from Operating Activities: | | | | |
| <i>Cash Received from Customers</i> | \$ 6,597,665 | \$ 610,033 | \$ 1,098,106 | \$ 8,305,804 |
| <i>Cash Payments to Employees for Services</i> | (1,161,001) | -- | (176,636) | (1,337,637) |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | (2,590,878) | (46,780) | (140,389) | (2,778,047) |
| Net Cash Provided (Used) by Operating Activities | <u>2,845,786</u> | <u>563,253</u> | <u>781,081</u> | <u>4,190,120</u> |
| Cash Flows from Non-capital Financing Activities: | | | | |
| <i>Cash Received From (Paid to) Other Funds</i> | (198,288) | -- | (10,536) | (208,824) |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>(198,288)</u> | <u>--</u> | <u>(10,536)</u> | <u>(208,824)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| <i>Principal and Interest Paid</i> | (2,024,730) | (498,705) | (128,249) | (2,651,684) |
| <i>Increase in Landclosure Liability</i> | -- | -- | 12,629 | 12,629 |
| <i>Proceeds of Capital Lease</i> | -- | -- | 103,500 | 103,500 |
| <i>Acquisition or Construction of Capital Assets</i> | (867,979) | -- | (168,875) | (1,036,854) |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>(2,892,709)</u> | <u>(498,705)</u> | <u>(180,995)</u> | <u>(3,572,409)</u> |
| Cash Flows from Investing Activities: | | | | |
| <i>Interest and Dividends on Investments</i> | 4,419 | 435 | 37 | 4,891 |
| Net Cash Provided (Used) for Investing Activities | <u>4,419</u> | <u>435</u> | <u>37</u> | <u>4,891</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (240,792) | 64,983 | 589,587 | 413,778 |
| Cash and Cash Equivalents at Beginning of Year | 3,762,563 | 825,492 | 279,459 | 4,867,514 |
| Cash and Cash Equivalents at End of Year | <u>\$ 3,521,771</u> | <u>\$ 890,475</u> | <u>\$ 869,046</u> | <u>\$ 5,281,292</u> |
| Reported on Statement of Net Position | | | | |
| Unrestricted cash and cash equivalents | \$ 2,630,003 | \$ 620,505 | \$ 869,046 | \$ 4,119,554 |
| Restricted cash and cash equivalents | 891,768 | 269,970 | -- | 1,161,738 |
| | <u>\$ 3,521,771</u> | <u>\$ 890,475</u> | <u>\$ 869,046</u> | <u>\$ 5,281,292</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Operating Income (Loss) | \$ 1,465,573 | \$ 290,589 | \$ 468,052 | \$ 2,224,214 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | |
| <i>Depreciation</i> | 1,387,990 | 274,458 | 279,147 | 1,941,595 |
| <i>Miscellaneous income</i> | 22,328 | -- | 24,269 | 46,597 |
| <i>Intergovernmental revenue</i> | 162,316 | -- | -- | 162,316 |
| Change in Assets and Liabilities: | | | | |
| <i>Decrease (Increase) in Receivables</i> | (8,399) | (1,794) | 10,789 | 596 |
| <i>Increase (Decrease) in Accounts Payable</i> | (114,645) | -- | (1,289) | (115,934) |
| <i>Increase (Decrease) in Accrued Liabilities</i> | (9,019) | -- | -- | (9,019) |
| <i>Increase (Decrease) in Customer Deposits</i> | (63,787) | -- | (340) | (64,127) |
| <i>Increase (Decrease) in Unearned Revenue</i> | 3,429 | -- | 453 | 3,882 |
| Total Adjustments | <u>1,380,213</u> | <u>272,664</u> | <u>313,029</u> | <u>1,965,906</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 2,845,786</u> | <u>\$ 563,253</u> | <u>\$ 781,081</u> | <u>\$ 4,190,120</u> |
| Noncash Activities | | | | |
| <i>Purchase of equipment by lease</i> | \$ 2,778,834 | \$ -- | \$ 383,000 | \$ 3,161,834 |
| <i>Proceeds of capital lease</i> | <u>\$ 2,778,834</u> | <u>\$ --</u> | <u>\$ 383,000</u> | <u>\$ 3,161,834</u> |

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Stephenville, Texas, was incorporated in 1854, and operates as a home rule City. The City operates under a mayor-council form of government and provides the following services as authorized by its charter, general government, public safety (police, fire, and EMS), highway and streets, culture and recreation, community development (planning and zoning, licensing, permitting and inspection), water and wastewater system, storm water drainage, airport and sanitary landfill.

The accounting policies of the City of Stephenville, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14 and 39, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial states or for discrete presentation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Wastewater Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

The *Storm Water Drainage Fund* is used to account for the activities necessary for the provisions of storm water drainage services..

Additionally, the City reports the following fund types:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

The *Debt Service Fund* accounts for the accumulation of resources to service the City's governmental long-term debt.

The *Capital Projects Fund* was established to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. It also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Cash and Cash Equivalents

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States Government, its agencies and instrumentality's, and government sponsoring enterprises, excluding collateralized mortgage obligations (CMOs), not to exceed two year to stated maturity;
- b. Fully insured or collateralized depository certificates of deposit from a bank doing business, in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to the stated maturity;
- c. Repurchase agreement and reverse repurchase agreements as defined by the Public Funds Investment Act, not to exceed 180 days to stated maturity, collateralized with Section VIII.A. above, provided an executed PSA Master Repurchase Agreement is on file with the City and the counter party bank or primary dealer, or flexible repurchase agreement longer than 180 days if matched to expenditure plan of the bond funds; and
- d. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.
- e. FDIC insured brokered certificate of deposit securities from banks in any US state, delivered versus payment to the City's safekeeping depository, not to exceed two years to maturity. Before purchase, the Investment Officer or advisor must verify the FDIC status of the bank.
- f. General obligation bonds of states, agencies, counties, cities and other political subdivisions of any state rated A or better or its equivalent by two nationally recognized rating agencies and with a stated maturity not to exceed two (2) years.
- g. Fully insured or collateralized interest bearing accounts of any bank doing business in Texas.
- h. AAA-rated, SEC registered money market funds striving to maintain a \$1 net asset value.
- i. A1/PI commercial paper with a stated maturity not to exceed 180 days.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost. All other investments are stated at fair value, which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Stephenville County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the government are depreciated using the straight line method over the following estimated useful lives:

| | |
|----------------------------------|---------------|
| Airport improvements | 40 years |
| Buildings | 20 - 40 years |
| Waterworks and sanitation system | 33 1/3 years |
| Infrastructure | 20 years |
| Machinery and equipment | 7 - 10 years |

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Certain employees previously covered by civil service policies also have carried forward unused sick leave benefits. No liability is reported for unpaid accumulated sick leave for the remaining employees. Vacation pay is accrued when incurred in the government-wide, and proprietary fund type statement of net position. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

9. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the City Council, or the City Manager or Director of Finance, based upon delegation of this authority by the City Council, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

| | General | Other | |
|----------------------|-------------|-------------|--------------|
| | Fund | Funds | Total |
| Fund Balances | | | |
| Nonspendable for: | | | |
| Inventories | \$7,016 | \$ -- | \$7,016 |
| | 7,016 | -- | 7,016 |
| Restricted for: | | | |
| Debt service | -- | 143,058 | 143,058 |
| Tourism | -- | 145,834 | 145,834 |
| Child safety | -- | 15,618 | 15,618 |
| Public safety | -- | 42,024 | 42,024 |
| Court technology | -- | 76,616 | 76,616 |
| Capital Projects | -- | 279,409 | 279,409 |
| | -- | 702,559 | 702,559 |
| Assigned: | | | |
| Right of way | 1,000,000 | -- | 1,000,000 |
| Capital replacement | 500,000 | 416,727 | 916,727 |
| Grant matching | 850,000 | -- | 850,000 |
| Facilities | 600,000 | -- | 600,000 |
| Economic development | 50,000 | -- | 50,000 |
| | 3,000,000 | 416,727 | 3,416,727 |
| Unassigned | 6,786,574 | -- | 6,786,574 |
| | \$9,793,590 | \$1,119,286 | \$10,912,876 |

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Deferred resource outflows not available to pay for current-period expenditures and are deferred in the funds." The details of this \$19,574 difference are as follows:

Bonds insurance costs:
City

\$19,574

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, and the Debt Service Fund. All annual appropriations lapse at the end of each fiscal year. Budgets are adopted for the proprietary funds annually only as a management tool. There are no legally mandated budgetary constraints for the proprietary funds. Capital Project funds were not budgeted since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

In May of each year, budget preparation packages are distributed to all City agencies. The agencies of the City submit requests for appropriation to the City Administrator before June 15 so that a budget may be prepared. The budget is prepared by department and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. During August, the proposed budget is presented to the City Council for review. The City Council holds one public hearing before August 31 and may add to, subtract from, or change appropriations. Any changes in the budget must be within the revenue and reserves estimated as available by the City Administrator, or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

The appropriated budget is prepared by fund, function and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budget appropriations during the year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year. There were no significant encumbrances at September 30, 2015.

B. Expenditures over Appropriations

Expenditures exceeded appropriations in the General Fund in various departments. The following overruns were funded by unexpected revenues.

Current expenditures:

| | |
|----------------------|---------|
| General government | |
| City administrator | \$1,384 |
| City secretary | 1,785 |
| Emergency management | 874 |

| | |
|-----------------------------------|-----|
| Public safety | |
| Fire prevention and investigation | 586 |

Capital outlay:

| | |
|--------------------|------|
| General government | |
| City administrator | \$53 |

| | |
|----------------------------|---------|
| Public safety | |
| Fire suppression | 13 |
| Emergency medical services | 114,261 |

| | |
|------------------------|-----|
| Culture and recreation | |
| Library | 228 |
| Senior citizens center | 30 |

| | |
|--------------------------------|----|
| Community development | |
| Community development planning | 37 |

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2015, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Investments

At September 30, 2015, the City had the following investments which are considered cash equivalents:

| | Fair Value | Weighted Average Maturity (Days) |
|------------------------|---------------------|-------------------------------------|
| Investment Type | | |
| TexPool | \$7,324,589 | 40 |
| TexStar | 2,052,879 | 46 |
| Frost | 4,542,122 | 60 |
| | 13,919,590 | |
| Cash | 1,472,539 | |
| | <u>\$15,392,129</u> | |

Cash and cash equivalents are reported in the

Statement of net assets as follows:

| | |
|---------------------------------------|---------------------|
| Governmental activities unrestricted | \$10,110,837 |
| Business-type activities unrestricted | 4,119,554 |
| Business-type activities restricted | 1,161,738 |
| | <u>\$15,392,129</u> |

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The fund is rated AAAM by Standard & Poor's.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act. The fund is rated AAAM by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Chase.

The fair value of the City's position in these pools is the same as the value of the pool shares.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 180 days.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, the City's entire deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Nonmajor and Other | Water and Wastewater | Storm Water | Nonmajor Enterprise |
|-------------------------------|--------------------|-----------------------|-------------------------|-----------------|------------------------|
| Taxes receivable - delinquent | \$1,207,404 | \$82,865 | \$ -- | \$ -- | \$ -- |
| Allowance for uncollectibles | (22,678) | (3,321) | -- | -- | -- |
| | <u>\$1,184,726</u> | <u>\$79,544</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Fines receivable | \$1,035,073 | \$ -- | \$ -- | \$ -- | \$ -- |
| Allowance for uncollectibles | (522,869) | -- | -- | -- | -- |
| | <u>\$512,204</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Accounts receivable | \$1,368,297 | \$ -- | \$1,889,707 | \$91,554 | \$53,691 |
| Allowance for uncollectibles | (998,370) | -- | (469,863) | (12,439) | (1,437) |
| Net other receivables | <u>\$369,927</u> | <u>\$ --</u> | <u>\$1,419,844</u> | <u>\$79,115</u> | <u>\$52,254</u> |
| Other receivables | <u>\$ --</u> | <u>\$5,474</u> | <u>\$2,650</u> | <u>\$ --</u> | <u>\$ --</u> |

Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|--|------------------|-----------------|
| Delinquent property taxes receivable (General Fund) | \$39,352 | \$ -- |
| Delinquent property taxes receivable (Debt Service Fund) | 5,026 | -- |
| Ambulance charges for services | 213,895 | -- |
| Fines receivable (General Fund) | 98,174 | -- |
| Other (Airport Enterprise Fund) | -- | 12,800 |
| Total deferred/unearned revenue for governmental funds | <u>\$356,447</u> | <u>\$12,800</u> |

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

C. Deferred Outflow of Resources

Deferred charges in the financial statements are composed of the following items:

| | Governmental | Business-type |
|-------------------------------|--------------------|------------------|
| | Activities | Activities |
| Deferred charge on refunding | \$19,574 | \$63,836 |
| Deferred pension plan expense | 982,336 | 149,388 |
| | <u>\$1,001,910</u> | <u>\$213,224</u> |

D. Capital assets

Capital asset activity for the year ended September 30, 2015:

| | Balance 9/30/14 | Additions | Retirements | Completed Construction | Balance 9/30/15 |
|---|---------------------|--------------------|-------------------|---------------------------|---------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$2,367,036 | \$90,275 | \$ -- | \$ -- | \$2,457,311 |
| Construction in progress | -- | -- | -- | -- | -- |
| Total capital assets not being depreciated | <u>2,367,036</u> | <u>90,275</u> | <u>--</u> | <u>0</u> | <u>2,457,311</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 6,559,482 | 350,476 | -- | -- | 6,909,958 |
| Machinery and equipment | 8,148,306 | 566,807 | (60,325) | -- | 8,654,788 |
| Infrastructure | 21,027,131 | 195,964 | -- | -- | 21,223,095 |
| Total capital assets being depreciated | <u>35,734,919</u> | <u>1,113,247</u> | <u>(60,325)</u> | <u>0</u> | <u>36,787,841</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (1,445,217) | (170,610) | -- | -- | (1,615,827) |
| Machinery and equipment | (5,221,064) | (380,516) | 40,562 | -- | (5,561,018) |
| Infrastructure | (9,076,303) | (487,061) | -- | -- | (9,563,364) |
| Total accumulated depreciation | <u>(15,742,584)</u> | <u>(1,038,187)</u> | <u>40,562</u> | <u>--</u> | <u>(16,740,209)</u> |
| Total capital assets being depreciated, net | <u>19,992,335</u> | <u>75,060</u> | <u>(19,763)</u> | <u>--</u> | <u>20,047,632</u> |
| Governmental activities capital assets, net | <u>\$22,359,371</u> | <u>\$165,335</u> | <u>(\$19,763)</u> | <u>\$ --</u> | <u>\$22,504,943</u> |

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

| | Balance 9/30/14 | Additions | Retirements | Completed Construction | Balance 9/30/15 |
|--|--------------------|-------------|-------------|---------------------------|--------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$2,434,794 | \$ -- | \$ -- | \$ -- | \$2,434,794 |
| Construction in progress | 219,275 | 16,993 | -- | (219,275) | 16,993 |
| Total capital assets not being depreciated | 2,654,069 | 16,993 | -- | (219,275) | 2,451,787 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 19,451,965 | 23,785 | -- | 72,368 | 19,548,118 |
| Machinery and equipment | 3,167,770 | 634,276 | (57,921) | -- | 3,744,125 |
| Water and wastewater system | 52,819,780 | 3,514,901 | -- | 146,907 | 56,481,588 |
| Total capital assets being depreciated | 75,439,515 | 4,172,962 | (57,921) | 219,275 | 79,773,831 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (3,518,249) | (455,601) | -- | -- | (3,973,850) |
| Machinery and equipment | (2,036,369) | (284,078) | 54,882 | -- | (2,265,565) |
| Water and wastewater system | (24,026,423) | (1,189,287) | -- | -- | (25,215,710) |
| Total accumulated depreciation | (29,581,041) | (1,928,966) | 54,882 | -- | (31,455,125) |
| Capital assets being depreciated, net | 45,858,474 | 2,243,996 | (3,039) | -- | 48,318,706 |
| Business type activities capital assets, net | \$48,512,543 | \$2,260,989 | (\$3,039) | \$ -- | \$50,770,493 |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|--|--------------------|
| General government | \$77,221 |
| Public safety | 325,992 |
| Streets | 478,721 |
| Culture and recreation | 155,106 |
| Community development | 1,147 |
| Total depreciation expense - governmental activities | <u>\$1,038,187</u> |

Business-type activities:

| | |
|---|--------------------|
| Water and sewer | \$1,387,990 |
| Storm Water Drainage | 274,458 |
| Nonmajor Enterprise Funds | 266,518 |
| Total depreciation expense - business-type activities | <u>\$1,928,966</u> |

CITY OF STEPHENVILLE, TEXAS**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended September 30, 2015

Construction commitments

The City has active construction projects as of September 30, 2015. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|-----------------------------|----------------------|---------------------------------|
| Bosque River Trail Phase II | <u>\$90,275</u> | <u>\$1,751,750</u> |
| | <u>\$90,275</u> | <u>\$1,751,750</u> |

The Bosque river Trail Phase II improvements are being financed by general obligation bond proceeds.

E. Interfund receivables, payables, and transfers

The composition of interfund transfers for the year ended September 30, 2015, is as follows:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|--------------------------------------|--------------------|---------------------|
| Major Governmental Funds | | |
| General Fund | \$208,824 | \$ -- |
| Major Business-type Funds | | |
| Water and Wastewater Enterprise Fund | 10,536 | 208,824 |
| Nonmajor Business-type Funds | | |
| Sanitary landfill | <u>--</u> | <u>10,536</u> |
| Totals | <u>\$219,360</u> | <u>\$219,360</u> |

The transfer from the Water and Wastewater Fund to the General Fund was for payments in lieu of taxes. The transfer from the Sanitary Landfill Fund to the Water and Sewer fund was for administrative services.

F. Long-term debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of equipment and major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

Governmental Activities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of governmental activities and to refund previous issues. General obligation bonded debt of the City is as follows:

| | |
|---|---------------------|
| \$1,315,000 General Obligation - Series 2014, principal due annually in series through 2019, interest due semi-annually at 3.85% | 1,155,000 |
| \$4,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2011, principal due annually in series through 2031, interest due semi-annually at 1.75% - 4.25%. | <u>3,180,000</u> |
| Total Governmental Activities Bonds | <u>\$ 4,335,000</u> |

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

Business-type Activities

The City also issues revenue bonds to finance business-type activities, primarily for construction of infrastructure, where it pledges net available revenue to repay debt. Net available revenue, as defined, totaled \$3,209,110 which was coverage of 1.63 times revenue bond debt service of \$1,964,559:

| | |
|---|----------------------|
| \$5,500,000 Combination Tax and Revenue Certificates of Obligation - Series 2001, principal due annually in series through 2016, interest due semi-annually at 4.59% | \$ 1,095,000 |
| \$575,000 Combination Tax and Revenue Certificates of Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.0% to 4.0% | 490,000 |
| \$275,000 Combination Tax and Revenue Certificates of Obligation - Series 2003A, principal due annually in series through 2018, interest due semi-annually at 4.15% | 65,850 |
| \$2,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2006, principal due annually in series through 2016, interest due semi-annually at 3.77% | 240,000 |
| \$4,300,000 Combination Tax and Revenue Certificates of Obligation - Series 2006A, principal due annually in series through 2027, interest due semi-annually at 3.92% | 2,970,000 |
| \$1,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2013, principal due annually in series through 2024, interest due semi-annually at 2.49% | 980,000 |
| \$3,830,000 Combination Tax and Revenue Certificates of Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.00% to 4.00% | <u>3,615,000</u> |
| Total Revenue Bonds | 9,455,850 |
| \$5,175,000 General Obligation Bonds - Series 2014, principal due annually in series through 2019, interest due semi-annually at 1.19% | <u>4,790,000</u> |
| Total Business Activities Bonds | <u>\$ 14,245,850</u> |

Annual debt service requirements to maturity for general debt:

| Year | Governmental Activities | | Business Type Activities | | Total |
|-----------|-------------------------|--------------------|--------------------------|--------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2016 | \$415,000 | \$66,463 | \$2,082,000 | \$380,246 | \$2,943,709 |
| 2017 | 390,000 | 97,445 | 1,918,000 | 301,563 | 2,707,008 |
| 2018 | 365,000 | 128,193 | 1,935,000 | 269,551 | 2,697,744 |
| 2019 | 380,000 | \$121,695 | 1,955,000 | 237,975 | 2,694,670 |
| 2020 | 180,000 | 114,538 | 475,000 | 215,532 | 985,070 |
| 2021-2025 | 1,035,000 | 447,206 | 2,430,000 | 840,171 | 4,752,377 |
| 2026-2030 | 1,280,000 | 202,300 | 2,040,000 | 468,391 | 3,990,691 |
| 2031-2033 | 290,000 | 6,163 | 1,410,000 | 86,200 | 1,792,363 |
| Total | <u>\$4,335,000</u> | <u>\$1,184,003</u> | <u>\$14,245,000</u> | <u>\$2,799,629</u> | <u>\$22,563,632</u> |

Capital Lease Obligations

Capitalized lease obligations are comprised of leases whose terms provide for a bargain purchase options at the end of the lease periods or provide the rights of ownership during the economic useful life of the assets. The Water and Sewer Fund and the Sanitary Landfill Fund are used to make payments as due.

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Governmental

\$113,938 due in instalments of \$30,584, including interest at 2.9%, annually through June 2019, and secured by equipment with an original cost of \$143,938 and a net book value of \$130,984 \$113,938

Business-type

\$2,988,450 due in instalments ranging from \$149,068 to \$193,967, including interest at 2.558%, semiannually through September 2024, and secured by equipment with an original cost of \$2,988,450 and a net book value of \$2,917,474 2,778,834

\$486,500 due in instalments of \$103,500, including interest at 3.19%, annually through June 2019, secured by equipment with an original cost of \$486,500 and a net book value of \$423,950 383,000
3,161,834
\$3,275,772

Future minimum payments for leases, contracts and loans are as follows:

| Year | Governmental | Water & Sewer | Sanitary Landfill | Total |
|---------------|------------------|--------------------|-------------------|--------------------|
| 2016 | \$30,584 | \$306,980 | \$103,500 | \$441,064 |
| 2017 | 30,584 | 295,400 | 103,500 | 429,484 |
| 2018 | 30,584 | 338,198 | 103,500 | 472,282 |
| 2019 | 30,584 | 347,800 | 103,500 | \$481,884 |
| 2020 | -- | 358,074 | -- | 358,074 |
| 2021-2024 | -- | 1,498,815 | -- | 1,498,815 |
| Total | 122,336 | 3,145,267 | 414,000 | 3,681,603 |
| Less interest | (8,398) | (366,433) | (31,000) | (405,831) |
| Present value | <u>\$113,938</u> | <u>\$2,778,834</u> | <u>\$383,000</u> | <u>\$3,275,772</u> |

Changes in Long-term Liabilities

During the year ended September 30, 2015, the following changes occurred in liabilities reported in the capital long-term debt:

| | Balance 9/30/14 | Additions | Retirements | Balance 9/30/15 | Due Within One Year |
|---|--------------------|------------------|--------------------|--------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$4,840,000 | \$ -- | (\$505,000) | \$4,335,000 | \$415,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | 21,186 | -- | (1,145) | 20,041 | 1,145 |
| Unamortized Discount | (2,452) | -- | 132 | (2,320) | (132) |
| Total bonds payable | 4,858,734 | -- | (506,013) | 4,352,721 | 416,013 |
| Capital leases | -- | 113,938 | -- | 113,938 | 27,261 |
| Compensated absences | 370,020 | 298,985 | (277,515) | 391,490 | 293,617 |
| Governmental activity Long-Term Liabilities | <u>\$5,228,754</u> | <u>\$412,923</u> | <u>(\$783,528)</u> | <u>\$4,858,149</u> | <u>\$736,891</u> |

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

| | Balance 9/30/14 | Additions | Retirements | Balance 9/30/15 | Due Within One Year |
|----------------------------------|---------------------|--------------------|----------------------|---------------------|------------------------|
| Business-type activities: | | | | | |
| Revenue Combo Bonds | \$16,236,827 | \$ -- | (\$1,991,000) | \$14,245,827 | \$2,082,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | 249,483 | -- | (10,890) | 238,593 | 13,634 |
| Unamortized (discount) | (29,193) | -- | 1,578 | (27,615) | (1,578) |
| Total bonds payable | 16,457,117 | -- | (2,000,312) | 14,456,805 | 2,094,056 |
| Capital lease obligations | -- | 3,474,950 | (313,116) | 3,161,834 | 328,701 |
| Estimated landfill closure and | | | | | |
| Postclosure cost | 140,905 | 12,629 | -- | 153,534 | -- |
| Compensated absences | 57,194 | 54,515 | (42,895) | 68,814 | 51,610 |
| Business-type activities | <u>\$16,655,216</u> | <u>\$3,542,094</u> | <u>(\$2,356,323)</u> | <u>\$17,840,987</u> | <u>\$2,474,367</u> |

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

Authorized and Unissued Debt

There is no authorized but unissued debt at September 30, 2015.

Contingent Arbitrage Liabilities

The City has invested a portion of revenue bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years.

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. The City has not had any significant reductions in insurance coverage, nor have insurance settlements for the last three fiscal years exceeded insurance coverage. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements. The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

B. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

C. Municipal Solid Waste Landfill Closure and Post Closure Costs

The City has constructed a Type IV sanitary landfill, which began operations on December 1, 1995. This facility is permitted to accept only brush and/or construction demolition wastes and rubbish free of household wastes.

State and federal laws and regulations require the City to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of five years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City will report a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used to date. Estimated closure and 5-year post closure costs are approximately \$410,724. The landfill site has an estimated net capacity of 584,974 cubic yards and is expected to be closed within the next 10 years; approximately 55.66% of the landfill was used at year-end. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has received written authorization from the state that no annual contributions are required, thus the intent of the City is to fund the required expenses as incurred.

D. Change in Generally Accepted Accounting Policy

The City has implemented new accounting guidance from Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. Certain assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses are now recognized by governmental type activities and proprietary funds.

E. Prior Year Adjustment

As noted above, the City implemented GASB-68 during FY2015. GASB-68 requires that beginning net position, for Governmental Activities and funds applying the full accrual method, be restated for the effect of beginning net pension (liability)/asset, beginning deferred pension outflows of resources, and beginning deferred pension inflows of resources.

| Description | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Net position - FYE 9/30/14 | \$27,697,748 | \$37,235,531 |
| Beginning net pension liability | (3,158,813) | (480,372) |
| Beginning deferred pension outflows of resources | 690,158 | 104,955 |
| Total restatement for GASB 68 | (2,468,655) | (375,417) |
| Restated net position - FY 9/30/14 | \$25,229,093 | \$36,860,114 |

F. Retirement Commitments

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-------|
| Inactive employees (or their beneficiaries) currently receiving benefits | 70 |
| Inactive employees entitled to but not yet receiving benefits | 75 |
| Active employees | 142 |
| | <hr/> |
| | 287 |
| | <hr/> |

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.04% and 15.75% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$1,043,177 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Geometric Real Rate of Return |
|------------------------|----------------------|----------------------------------|
| | | (Expected minus Inflation) |
| Domestic equity | 17.50% | 4.80% |
| International equities | 17.50% | 6.05% |
| Core fixed income | 30.00% | 1.50% |
| Non-core fixed income | 10.00% | 3.50% |
| Real return | 5.00% | 1.75% |
| Real estate | 10.00% | 5.25% |
| Absolute return | 5.00% | 4.25% |
| Private equity | 5.00% | 8.50% |
| | <u>100.00%</u> | |

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the net pension liability

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | [a] | [b] | [c] |
| Balance at 12/31/13 | \$35,818,058 | \$32,178,872 | \$3,639,186 |
| Changes for the year: | | | |
| Service cost | 992,735 | 0 | 992,735 |
| Interest | 2,494,034 | 0 | 2,494,034 |
| Change of benefit terms | 0 | 0 | 0 |
| Difference between expected and actual experience | (36,585) | 0 | (36,585) |
| Changes of assumptions | 0 | 0 | 0 |
| Contributions - employer | 0 | 1,060,235 | (1,060,235) |
| Contributions - employees | 0 | 436,423 | (436,423) |
| Net investment income | 0 | 1,840,969 | (1,840,969) |
| Benefit payments, including refunds of employee contributions | (1,370,731) | (1,370,731) | 0 |
| Amortization of prior year assets | 0 | 0 | 0 |
| Administrative expense | 0 | (19,219) | 19,219 |
| Other changes | 0 | (1,580) | 1,580 |
| Net changes | 2,079,453 | 1,946,097 | 133,356 |
| Balance at 12/31/14 | \$37,897,511 | \$34,124,969 | \$3,772,542 |

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2015

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

| | 1% Decrease 6.0% | Current Discount Rate 7.0% | 1% Increase 8.0% |
|-------------------------------|------------------------|----------------------------------|------------------------|
| Net Pension Liability/(Asset) | \$9,194,833 | \$3,772,542 | (\$678,584) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$892,890. At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Original Amount | Date Established | Original Recognition Period | Date of Deferred (Inflows)/Outflows 12/31/2014 |
|------------------------------------|--------------------|---------------------|-----------------------------------|---|
| Due to liabilities: | | | | |
| Difference in expected and actual | (\$36,585) | 12/31/2014 | (\$7,173) | (\$29,412) |
| | | | (7,173) | (29,412) |
| Due to assets: | | | | |
| Difference in projected and actual | \$411,552 | 12/31/2014 | 82,310 | 329,242 |
| | | | 82,310 | 329,242 |
| | | | | <u>\$299,830</u> |

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2015

\$1,131,724 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows/outflows to Be Recognized in Future Years

| Year ended December 31, | |
|-------------------------|------------------|
| 2015 | \$75,137 |
| 2016 | 75,137 |
| 2017 | 75,137 |
| 2018 | 75,139 |
| 2019 | (720) |
| | <u>\$299,830</u> |

E. Other Postemployment Benefits

Supplemental Death Benefits Fund (SDBF)

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$13,400, \$12,351, and \$12,003, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

(Retiree-only portion of the rate)

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|------------------------|--|------------------------------------|----------------------------------|
| 2013 | 0.18% | 0.18% | 100% |
| 2014 | 0.18% | 0.18% | 100% |
| 2015 | 0.19% | 0.19% | 100% |

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CITY OF STEPHENVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-1
Page 1 of 3

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenue: | | | | |
| Taxes | \$ 11,147,477 | \$ 11,390,577 | \$ 11,709,391 | \$ 318,814 |
| Service charges | 904,400 | 1,049,400 | 1,111,193 | 61,793 |
| Fines and forfeitures | 250,000 | 250,000 | 240,542 | (9,458) |
| Licenses and permits | 171,300 | 221,800 | 227,979 | 6,179 |
| Intergovernmental | 68,000 | 195,807 | 196,980 | 1,173 |
| Investment earnings | 5,500 | 5,500 | 4,717 | (783) |
| Miscellaneous | 11,200 | 86,200 | 167,941 | 81,741 |
| Total revenues | <u>12,557,877</u> | <u>13,199,284</u> | <u>13,658,743</u> | <u>459,459</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | | | | |
| City council | 223,540 | 271,540 | 153,021 | 118,519 |
| City administrator | 143,004 | 160,189 | 161,573 | (1,384) |
| City secretary | 109,577 | 109,706 | 111,491 | (1,785) |
| Emergency management | 13,750 | 21,950 | 22,824 | (874) |
| Municipal buildings | 118,480 | 164,807 | 134,201 | 30,606 |
| Municipal service center | 90,797 | 114,874 | 106,389 | 8,485 |
| Financial administration and accounting | 337,965 | 401,577 | 380,853 | 20,724 |
| Purchasing | 67,929 | 67,535 | 65,143 | 2,392 |
| Information Technology | 124,006 | 126,339 | 120,660 | 5,679 |
| Tax assessment and collection | 148,050 | 148,050 | 145,564 | 2,486 |
| Legal counsel | 111,648 | 275,648 | 260,927 | 14,721 |
| Municipal court | 173,000 | 173,000 | 159,922 | 13,078 |
| Human resources | 114,656 | 104,192 | 99,616 | 4,576 |
| Total General Government | <u>1,776,402</u> | <u>2,139,407</u> | <u>1,922,184</u> | <u>217,223</u> |
| Public Safety | | | | |
| Fire and ambulance administration | 271,898 | 318,584 | 299,838 | 18,746 |
| Fire prevention and investigation | 180,639 | 193,439 | 194,025 | (586) |
| Fire suppression | 1,240,674 | 1,234,864 | 1,190,459 | 44,405 |
| Emergency medical services | 1,177,535 | 1,179,559 | 1,150,392 | 29,167 |
| Volunteer | 31,117 | 31,117 | 20,124 | 10,993 |
| Police administration | 363,277 | 348,906 | 336,223 | 12,683 |
| Police patrol | 2,060,659 | 2,111,490 | 1,957,723 | 153,767 |
| Police communications | 717,633 | 637,315 | 598,731 | 38,584 |
| Support services | 161,749 | 161,152 | 159,481 | 1,671 |
| Criminal investigation | 635,534 | 755,704 | 719,500 | 36,204 |
| Professional standards | 268,413 | 269,865 | 263,105 | 6,760 |
| Animal control | 133,292 | 135,172 | 103,209 | 31,963 |
| Public Safety Clerical | 178,179 | 187,959 | 180,344 | 7,615 |
| Total Public Safety | <u>7,420,599</u> | <u>7,565,126</u> | <u>7,173,154</u> | <u>391,972</u> |
| Streets | | | | |
| Street Maintenance | <u>1,037,470</u> | <u>1,102,454</u> | <u>968,092</u> | <u>134,362</u> |
| Total Streets | <u>1,037,470</u> | <u>1,102,454</u> | <u>968,092</u> | <u>134,362</u> |

CITY OF STEPHENVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-1
Page 2 of 3

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|------------|---|
| | Original | Final | | |
| <i>Culture and Recreation</i> | | | | |
| Community Services | \$ 170,322 | \$ 100,790 | \$ 98,643 | \$ 2,147 |
| Recreation administration | 465,282 | 602,982 | 439,801 | 163,181 |
| Park maintenance | 590,556 | 665,151 | 549,433 | 115,718 |
| Cemeteries | 158,558 | 163,558 | 152,846 | 10,712 |
| Library | 227,883 | 265,883 | 252,382 | 13,501 |
| Senior citizens center | 136,022 | 160,758 | 136,379 | 24,379 |
| Aquatic center | 195,152 | 195,152 | 180,247 | 14,905 |
| Total Culture and Recreation | 1,943,775 | 2,154,274 | 1,809,731 | 344,543 |
| <i>Community Development</i> | | | | |
| Community development planning | 203,447 | 232,945 | 224,629 | 8,316 |
| Community development inspection | 220,615 | 205,615 | 157,682 | 47,933 |
| Code enforcement | 84,677 | 86,367 | 73,885 | 12,482 |
| Total Community Development | 508,739 | 524,927 | 456,196 | 68,731 |
| Total Current | 12,686,985 | 13,486,188 | 12,329,357 | 1,156,831 |
| <i>Capital outlay</i> | | | | |
| General Government | | | | |
| City council | -- | 11,500 | 11,553 | (53) |
| Total General Government | -- | 11,500 | 11,553 | (53) |
| <i>Public Safety</i> | | | | |
| Fire and ambulance administration | 4,096 | 4,096 | 3,910 | 186 |
| Fire suppression | 33,652 | 3,652 | 3,665 | (13) |
| Emergency medical services | 39,793 | 75,100 | 189,361 | (114,261) |
| Police patrol | 168,500 | 193,500 | 187,607 | 5,893 |
| Animal control | 70,000 | 70,000 | 68,936 | 1,064 |
| Public safety clerical | -- | 55,760 | 55,761 | (1) |
| Total Public Safety | 316,041 | 402,108 | 509,240 | (107,132) |
| <i>Highways and Streets</i> | | | | |
| Street Maintenance | 280,000 | 380,000 | 32,063 | 347,937 |
| Total Highways and Streets | 280,000 | 380,000 | 32,063 | 347,937 |
| <i>Culture and Recreation</i> | | | | |
| Park maintenance | 16,000 | 214,000 | 195,115 | 18,885 |
| Library | -- | 5,000 | 5,228 | (228) |
| Senior citizens center | -- | 39,800 | 39,830 | (30) |
| Total Culture and Recreation | 16,000 | 258,800 | 240,173 | 18,627 |
| <i>Community Development</i> | | | | |
| Community development planning | -- | -- | 37 | (37) |
| Community development inspection | 22,000 | 22,000 | 20,264 | 1,736 |
| Total Community Development | 22,000 | 22,000 | 20,301 | 1,699 |
| Total Capital Outlay | 634,041 | 1,074,408 | 813,330 | 261,078 |
| Total expenditures | 13,321,026 | 14,560,596 | 13,142,687 | 1,417,909 |
| Excess (deficiency) of revenues (under) expenditures | (763,149) | (1,361,312) | 516,056 | 1,877,368 |

Other financing sources (uses):

CITY OF STEPHENVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-1
Page 3 of 3

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| <i>Transfers in</i> | \$ 208,825 | \$ 208,825 | \$ 208,824 | \$ (1) |
| <i>Insurance proceeds</i> | -- | 416,650 | 63,740 | (352,910) |
| <i>Sale of fixed assets</i> | 20,000 | 20,000 | 11,165 | (8,835) |
| <i>Capital leases</i> | -- | -- | 113,938 | 113,938 |
| Total other financing sources (uses) | <u>228,825</u> | <u>645,475</u> | <u>397,667</u> | <u>247,808</u> |
| Net change in fund balances | (534,324) | (715,837) | 913,723 | 1,629,560 |
| Fund balances, October 1 | 8,879,867 | 8,879,867 | 8,879,867 | -- |
| Fund balances, September 30 | <u>\$ 8,345,543</u> | <u>\$ 8,164,030</u> | <u>\$ 9,793,590</u> | <u>\$ 1,629,560</u> |

CITY OF STEPHENVILLE, TEXAS
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|---|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Total pension liability: | | | | | | | | | | |
| Service cost | \$ 992,735 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Interest | 2,494,034 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Changes of benefit terms | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Differences between expected and actual experience | (36,585) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Changes of assumptions | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Benefit payments, including refunds of employee contributions | (1,370,731) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Net change in total pension liability | 2,079,453 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total pension liability - beginning | 35,818,058 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total pension liability - ending (a) | \$ 37,897,511 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Plan fiduciary net position: | | | | | | | | | | |
| Contributions - employer | \$ 1,060,235 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions - employee | 436,423 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Net investment income | 1,840,969 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Benefit payments, including refunds of employee contributions | (1,370,731) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Administrative expense | (19,219) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other | (1,580) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Net change in plan fiduciary net position | 1,946,097 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Plan fiduciary net position - beginning | 32,178,872 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Plan fiduciary net position - ending (b) | \$ 34,124,969 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| City's net pension liability - ending (a) - (b) | \$ 3,772,542 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Plan fiduciary net position as a percentage of the total pension liability | 90.05% | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Covered-employee payroll | \$ 6,901,589 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| City's net pension liability as a percentage of covered-employee payroll | 54.66% | -- | -- | -- | -- | -- | -- | -- | -- | -- |

CITY OF STEPHENVILLE, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Actuarially determined contribution | \$ 1,060,235 | \$ 1,030,433 | \$ 1,044,885 | \$ 1,002,179 | \$ 1,058,433 | \$ 1,102,965 | \$ 1,068,923 | \$ 934,956 | \$ 696,664 | \$ 590,098 |
| Contributions in relation to the actuarially determined contribution | (1,060,235) | (1,030,433) | (1,044,885) | (1,002,179) | (1,058,433) | (1,102,965) | (1,068,923) | (934,956) | (696,664) | (590,098) |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Covered-employee payroll | \$ 6,901,589 | \$ 6,901,589 | \$ 6,634,190 | \$ 6,310,948 | \$ 5,949,603 | \$ 6,150,305 | \$ 6,040,379 | \$ 5,773,061 | \$ 5,147,282 | \$ 5,005,388 |
| Contributions as a percentage of covered-employee payroll | 15.36% | 14.93% | 15.75% | 15.88% | 17.79% | 17.93% | 17.70% | 16.20% | 13.53% | 11.79% |

Notes to Schedule

Valuation date: 12/31/2014

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Valuation timing | Actuarially determined contribution rates are calculated as of December 31, and become effective in January thirteen months later. |
| Actuarial cost method | Entry age, normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20 years |
| Asset valuation method | 10-year smoothing period, market value recognition method, 15% soft corridor |
| Inflation | 3.0% |
| Salary increases | 3.5% to 12.00, including inflation |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |
| Cost of living adjustments | Cost of living adjustments are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost of living adjustment is included in the GASB calculations. No assumption for future cost of living adjustments is included in the funding valuation. |
| Retirement age | Experienced based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |
| Demographic assumptions | Tables for annual rates for merit salary increases, termination, disability, service retirement, probability of withdrawal, retirement age, turnover, and mortality are available in the annual certification for December 31, 2015 which is included in the TMRS CAFR for December 31, 2015. |
| Benefit Changes | There were no benefit changes during 2015. |

CITY OF STEPHENVILLE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

(Unaudited)

Information concerning the budget and budget calendar are detailed in footnote III.A. The General Fund budget is presented on a generally accepted accounting principles basis.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

Hotel/Motel Occupancy Tax – This fund is used to account for hotel/motel occupancy tax revenue to be used for enhancing and promoting tourism and convention activity for the benefit of the hotel industry.

Child Safety – This fund is used to account for court costs used to operate a City school crossing guard program, or programs designated to enhance child safety, health, or nutrition; including child abuse prevention and intervention and drug and alcohol abuse prevention.

Public Safety – This fund is used to account for court costs used to promote various public safety programs.

Court Technology – This fund is used to account for court costs used to maintain technological enhancements for the municipal court.

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

The Capital Projects Fund was established to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

CITY OF STEPHENVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

| | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Total Nonmajor Governmental Funds (See Exhibit A-3) |
|---|-----------------------------|-------------------------|-----------------------------|---|
| ASSETS | | | | |
| <i>Cash and cash equivalents</i> | \$ 290,049 | \$ 139,915 | \$ 696,136 | \$ 1,126,100 |
| <i>Receivables (net of allowances for uncollectibles):</i> | | | | |
| <i>Taxes</i> | 72,458 | 7,086 | -- | 79,544 |
| <i>Other</i> | 5,474 | -- | -- | 5,474 |
| <i>Intergovernmental</i> | -- | 1,083 | -- | 1,083 |
| Total Assets | <u>\$ 367,981</u> | <u>\$ 148,084</u> | <u>\$ 696,136</u> | <u>\$ 1,212,201</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| <i>Accounts payable</i> | \$ 87,889 | \$ -- | \$ -- | \$ 87,889 |
| Total Liabilities | <u>87,889</u> | <u>--</u> | <u>--</u> | <u>87,889</u> |
| Deferred Inflows of Resources: | | | | |
| <i>Deferred revenue</i> | -- | 5,026 | -- | 5,026 |
| Total Deferred Inflows of Resources | <u>--</u> | <u>5,026</u> | <u>--</u> | <u>5,026</u> |
| Fund Balances: | | | | |
| <i>Restricted</i> | 280,092 | 143,058 | 279,409 | 702,559 |
| <i>Assigned</i> | -- | -- | 416,727 | 416,727 |
| Total fund balances | <u>280,092</u> | <u>143,058</u> | <u>696,136</u> | <u>1,119,286</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 367,981</u> | <u>\$ 148,084</u> | <u>\$ 696,136</u> | <u>\$ 1,212,201</u> |

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Total Nonmajor Governmental Funds (See Exhibit A-5) |
|------------------------------------|-----------------------------|-------------------------|-----------------------------|---|
| Revenue: | | | | |
| <i>Taxes</i> | \$ 442,854 | \$ 580,996 | \$ -- | \$ 1,023,850 |
| <i>Fines and forfeitures</i> | 17,842 | -- | -- | 17,842 |
| <i>Intergovernmental</i> | 3,654 | -- | -- | 3,654 |
| <i>Investment earnings</i> | 169 | 717 | 387 | 1,273 |
| Total revenues | <u>464,519</u> | <u>581,713</u> | <u>387</u> | <u>1,046,619</u> |
| Expenditures: | | | | |
| <i>Public safety</i> | 494,846 | -- | -- | 494,846 |
| <i>Culture and recreation</i> | -- | -- | 43,708 | 43,708 |
| <i>Capital outlay</i> | -- | -- | 46,567 | 46,567 |
| Debt service: | | | | |
| <i>Principal</i> | -- | 505,000 | -- | 505,000 |
| <i>Interest and fiscal charges</i> | -- | 77,845 | -- | 77,845 |
| Total expenditures | <u>494,846</u> | <u>582,845</u> | <u>90,275</u> | <u>1,167,966</u> |
| Net change in fund balances | (30,327) | (1,132) | (89,888) | (121,347) |
| Fund balances, October 1 | 310,419 | 144,190 | 786,024 | 1,240,633 |
| Fund balances, September 30 | <u>\$ 280,092</u> | <u>\$ 143,058</u> | <u>\$ 696,136</u> | <u>\$ 1,119,286</u> |

CITY OF STEPHENVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

| | Hotel/Motel Occupancy Tax Fund | Child Safety |
|---|--------------------------------------|------------------|
| ASSETS | | |
| <i>Cash and cash equivalents</i> | \$ 151,226 | \$ 15,618 |
| Receivables (net of allowances for uncollectibles): | | |
| <i>Taxes</i> | 72,458 | -- |
| <i>Other</i> | 5,474 | -- |
| Total Assets | <u>\$ 229,158</u> | <u>\$ 15,618</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| <i>Accounts payable</i> | \$ 83,324 | \$ -- |
| Total Liabilities | <u>83,324</u> | <u>--</u> |
| Fund Balances: | | |
| <i>Restricted</i> | 145,834 | 15,618 |
| Total fund balances | <u>145,834</u> | <u>15,618</u> |
| Total Liabilities and Fund Balances | <u>\$ 229,158</u> | <u>\$ 15,618</u> |

EXHIBIT C-3

| Public Safety | Court Technology | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|------------------|---------------------|---|
| \$ 46,589 | \$ 76,616 | \$ 290,049 |
| -- | -- | 72,458 |
| -- | -- | 5,474 |
| \$ <u>46,589</u> | \$ <u>76,616</u> | \$ <u>367,981</u> |
| \$ 4,565 | \$ -- | \$ 87,889 |
| <u>4,565</u> | <u>--</u> | <u>87,889</u> |
| 42,024 | 76,616 | 280,092 |
| <u>42,024</u> | <u>76,616</u> | <u>280,092</u> |
| \$ <u>46,589</u> | \$ <u>76,616</u> | \$ <u>367,981</u> |

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Hotel/Motel Occupancy Tax Fund | Child Safety |
|------------------------------|--------------------------------------|------------------|
| Revenue: | | |
| <i>Taxes</i> | \$ 442,854 | \$ -- |
| <i>Fines and forfeitures</i> | -- | 5,763 |
| <i>Intergovernmental</i> | -- | -- |
| <i>Investment earnings</i> | 169 | -- |
| Total revenues | <u>443,023</u> | <u>5,763</u> |
| Expenditures: | | |
| <i>Public safety</i> | <u>482,456</u> | <u>11,900</u> |
| Total expenditures | <u>482,456</u> | <u>11,900</u> |
| Net change in fund balances | (39,433) | (6,137) |
| Fund balances, October 1 | 185,267 | 21,755 |
| Fund balances, September 30 | <u>\$ 145,834</u> | <u>\$ 15,618</u> |

| Public Safety | Court Technology | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|------------------|---------------------|---|
| \$ -- | \$ -- | \$ 442,854 |
| 3,296 | 8,783 | 17,842 |
| 3,654 | -- | 3,654 |
| -- | -- | 169 |
| <u>6,950</u> | <u>8,783</u> | <u>464,519</u> |
| 490 | -- | 494,846 |
| <u>490</u> | <u>--</u> | <u>494,846</u> |
| 6,460 | 8,783 | (30,327) |
| 35,564 | 67,833 | 310,419 |
| <u>\$ 42,024</u> | <u>\$ 76,616</u> | <u>\$ 280,092</u> |

CITY OF STEPHENVILLE, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-5

| | Budget | Actual | Variance Positive (Negative) |
|-------------------------------|-------------------|-------------------|------------------------------------|
| Revenue: | | | |
| <i>Taxes</i> | \$ 334,005 | \$ 442,854 | \$ 108,849 |
| <i>Investment earnings</i> | -- | 169 | 169 |
| Total revenues | <u>334,005</u> | <u>443,023</u> | <u>109,018</u> |
| Expenditures: | | | |
| Current: | | | |
| <i>General Government</i> | | | |
| <i>Public safety facility</i> | 335,011 | 482,456 | (147,445) |
| Total General Government | <u>335,011</u> | <u>482,456</u> | <u>(147,445)</u> |
| Total Current | <u>335,011</u> | <u>482,456</u> | <u>(147,445)</u> |
| Total expenditures | <u>335,011</u> | <u>482,456</u> | <u>(147,445)</u> |
| Net change in fund balances | (1,006) | (39,433) | (38,427) |
| Fund balances, October 1 | 185,267 | 185,267 | -- |
| Fund balances, September 30 | <u>\$ 184,261</u> | <u>\$ 145,834</u> | <u>\$ (38,427)</u> |

CITY OF STEPHENVILLE, TEXAS
CHILD SAFETY SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-6

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|------------------|------------------|---|
| Revenue: | | | |
| <i>Fines and forfeitures</i> | \$ 12,000 | \$ 5,763 | \$ (6,237) |
| Total revenues | <u>12,000</u> | <u>5,763</u> | <u>(6,237)</u> |
| Expenditures: | | | |
| Current: | | | |
| <i>General Government</i> | | | |
| <i>Public safety facility</i> | 11,900 | 11,900 | -- |
| <i>Total General Government</i> | <u>11,900</u> | <u>11,900</u> | <u>--</u> |
| Total Current | <u>11,900</u> | <u>11,900</u> | <u>--</u> |
| Total expenditures | <u>11,900</u> | <u>11,900</u> | <u>--</u> |
| Net change in fund balances | 100 | (6,137) | (6,237) |
| Fund balances, October 1 | 21,755 | 21,755 | -- |
| Fund balances, September 30 | <u>\$ 21,855</u> | <u>\$ 15,618</u> | <u>\$ (6,237)</u> |

CITY OF STEPHENVILLE, TEXAS
PUBLIC SAFETY SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-7

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------|------------------|------------------|---|
| Revenue: | | | |
| <i>Fines and forfeitures</i> | \$ -- | \$ 3,296 | \$ 3,296 |
| <i>Intergovernmental</i> | 3,700 | 3,654 | (46) |
| Total revenues | <u>3,700</u> | <u>6,950</u> | <u>3,250</u> |
| Expenditures: | | | |
| Current: | | | |
| <i>Public Safety</i> | | | |
| <i>Public safety facility</i> | 3,700 | 490 | 3,210 |
| Total Public Safety | <u>3,700</u> | <u>490</u> | <u>3,210</u> |
| Total Current | <u>3,700</u> | <u>490</u> | <u>3,210</u> |
| Total expenditures | <u>3,700</u> | <u>490</u> | <u>3,210</u> |
| Net change in fund balances | -- | 6,460 | 6,460 |
| Fund balances, October 1 | 35,564 | 35,564 | -- |
| Fund balances, September 30 | <u>\$ 35,564</u> | <u>\$ 42,024</u> | <u>\$ 6,460</u> |

CITY OF STEPHENVILLE, TEXAS
COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-8

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|------------------|------------------|---|
| Revenue: | | | |
| <i>Fines and forfeitures</i> | \$ 4,000 | \$ 8,783 | \$ 4,783 |
| Total revenues | <u>4,000</u> | <u>8,783</u> | <u>4,783</u> |
| Net change in fund balances | 4,000 | 8,783 | 4,783 |
| Fund balances, October 1 | 67,833 | 67,833 | -- |
| Fund balances, September 30 | <u>\$ 71,833</u> | <u>\$ 76,616</u> | <u>\$ 4,783</u> |

CITY OF STEPHENVILLE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-9

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-------------------|-------------------|---|
| Revenue: | | | |
| <i>Taxes</i> | \$ 582,100 | \$ 580,996 | \$ (1,104) |
| <i>Investment earnings</i> | 104 | 717 | 613 |
| Total revenues | <u>582,204</u> | <u>581,713</u> | <u>(491)</u> |
| Expenditures: | | | |
| Debt Service: | | | |
| <i>Principal</i> | 505,000 | 505,000 | -- |
| <i>Interest and fiscal charges</i> | <u>77,204</u> | <u>77,845</u> | <u>(641)</u> |
| Total Debt Service: | <u>582,204</u> | <u>582,845</u> | <u>(641)</u> |
| Total expenditures | <u>582,204</u> | <u>582,845</u> | <u>(641)</u> |
| Net change in fund balances | -- | (1,132) | (1,132) |
| Fund balances, October 1 | 144,190 | 144,190 | -- |
| Fund balances, September 30 | <u>\$ 144,190</u> | <u>\$ 143,058</u> | <u>\$ (1,132)</u> |

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

Sanitary Landfill – This fund is used to account for solid waste collection and disposal services provided to the residents of the City.

Airport – This fund is used to account for municipal airport services and to support air transportation and charter services.

CITY OF STEPHENVILLE, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2015

| | Enterprise Fund | Enterprise Fund | Total Nonmajor Enterprise Funds (See Exhibit A-7) |
|---|----------------------|---------------------|---|
| | Sanitary Landfill | Airport | |
| ASSETS | | | |
| Current Assets: | | | |
| <i>Cash and cash equivalents</i> | \$ 824,703 | \$ 44,343 | \$ 869,046 |
| <i>Accounts receivable - net</i> | 40,150 | 12,104 | 52,254 |
| Total Current Assets | <u>864,853</u> | <u>56,447</u> | <u>921,300</u> |
| Noncurrent assets:: | | | |
| Capital assets: | | | |
| <i>Land</i> | 40,000 | 879,399 | 919,399 |
| <i>Buildings and improvements</i> | 915,135 | 5,286,665 | 6,201,800 |
| <i>Machinery and equipment</i> | 1,596,879 | 181,344 | 1,778,223 |
| <i>Construction in progress</i> | -- | 16,993 | 16,993 |
| <i>Less accumulated depreciation</i> | (1,397,606) | (1,259,218) | (2,656,824) |
| Total capital assets | <u>1,154,408</u> | <u>5,105,183</u> | <u>6,259,591</u> |
| Total noncurrent assets | <u>1,154,408</u> | <u>5,105,183</u> | <u>6,259,591</u> |
| Total Assets | <u>2,019,261</u> | <u>5,161,630</u> | <u>7,180,891</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| <i>Deferred charges</i> | 17,429 | -- | 17,429 |
| Total Deferred outflow of resources | <u>17,429</u> | <u>--</u> | <u>17,429</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| <i>Accounts payable</i> | 1,783 | 1,839 | 3,622 |
| <i>Accrued liabilities</i> | 3,621 | -- | 3,621 |
| <i>Accrued interest payable</i> | 4,664 | 329 | 4,993 |
| <i>Customer deposits</i> | 1,900 | -- | 1,900 |
| <i>Compensated absences payable</i> | 6,187 | -- | 6,187 |
| <i>Bonds payable</i> | -- | 22,000 | 22,000 |
| Total Current Liabilities | <u>18,155</u> | <u>24,168</u> | <u>42,323</u> |
| Long-term Liabilities: | | | |
| <i>Compensated absences payable</i> | 2,062 | -- | 2,062 |
| <i>Revenue bonds payable</i> | -- | 43,827 | 43,827 |
| <i>Capital lease</i> | 383,000 | -- | 383,000 |
| <i>Liability for landfill closure</i> | 153,534 | -- | 153,534 |
| <i>Net pension liability</i> | 58,096 | -- | 58,096 |
| Total Long-term Liabilities | <u>596,692</u> | <u>43,827</u> | <u>640,519</u> |
| Total Liabilities | <u>614,847</u> | <u>67,995</u> | <u>682,842</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| <i>Unearned revenue</i> | 453 | 12,800 | 13,253 |
| Total deferred inflow of resources | <u>453</u> | <u>12,800</u> | <u>13,253</u> |
| NET POSITION | | | |
| <i>Net investment in capital assets</i> | 1,537,408 | 5,039,355 | 6,576,763 |
| <i>Unrestricted</i> | (116,018) | 41,480 | (74,538) |
| Total Net Position | <u>\$ 1,421,390</u> | <u>\$ 5,080,835</u> | <u>\$ 6,502,225</u> |

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Enterprise Fund | Enterprise Fund | Total Nonmajor Enterprise Funds (See Exhibit A-8) |
|--|----------------------|--------------------|---|
| | Sanitary Landfill | Airport | |
| OPERATING REVENUES: | | | |
| Gate charges | \$ 955,391 | \$ -- | \$ 955,391 |
| Hanger rental | -- | 102,671 | 102,671 |
| Other service charges | -- | 4,873 | 4,873 |
| Total Operating Revenues | 955,391 | 107,544 | 1,062,935 |
| OPERATING EXPENSES: | | | |
| Personnel services | 176,636 | -- | 176,636 |
| Contractual services | 20,261 | 18,473 | 38,734 |
| Utilities | 480 | 29,813 | 30,293 |
| Repairs and maintenance | 5,759 | 21,723 | 27,482 |
| Other | 34,929 | 7,662 | 42,591 |
| Depreciation and amortization | 152,712 | 126,435 | 279,147 |
| Total Operating Expenses | 390,777 | 204,106 | 594,883 |
| Operating Income (Loss) | 564,614 | (96,562) | 468,052 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Interest revenue | 37 | -- | 37 |
| Miscellaneous income | 9,854 | 14,415 | 24,269 |
| Interest expense | (4,697) | (3,432) | (8,129) |
| Total Non-operating Revenues (Expenses) | 5,194 | 10,983 | 16,177 |
| Net Income (Loss) before Operating Transfers | 569,808 | (85,579) | 484,229 |
| TRANSFERS: | | | |
| Capital Contributions | -- | -- | -- |
| Transfers in | -- | -- | -- |
| Transfers out | (10,536) | -- | (10,536) |
| Net income | 559,272 | (85,579) | 473,693 |
| Net position, October 1 | 905,916 | 5,166,414 | 6,072,330 |
| Prior Period Adjustment | (43,798) | -- | (43,798) |
| Net position, September 30 | \$ 1,421,390 | \$ 5,080,835 | \$ 6,502,225 |

CITY OF STEPHENVILLE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Sanitary Landfill | Airport | Total Nonmajor Enterprise Funds (See Exhibit A-9) |
|---|----------------------|------------------|---|
| Cash Flows from Operating Activities: | | | |
| <i>Cash Received from Customers</i> | \$ 961,688 | \$ 136,418 | \$ 1,098,106 |
| <i>Cash Payments to Employees</i> | (176,636) | -- | (176,636) |
| <i>Cash Payments to Suppliers for Goods and Services</i> | (60,682) | (79,707) | (140,389) |
| Net Cash Provided (Used) by Operating Activities | <u>724,370</u> | <u>56,711</u> | <u>781,081</u> |
| Cash Flows from Non-capital Financing Activities: | | | |
| <i>Cash Paid to Other Funds</i> | (10,536) | -- | (10,536) |
| Net Cash Provided (Used) for Capital and Related Financing Activities | <u>(10,536)</u> | <u>--</u> | <u>(10,536)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| <i>Principal and Interest Paid</i> | (102,980) | (25,269) | (128,249) |
| <i>Increase in landclosure liability</i> | 12,629 | -- | 12,629 |
| <i>Proceeds of capital lease</i> | 103,500 | -- | 103,500 |
| <i>Acquisition or Construction of Capital Assets</i> | (115,127) | (53,748) | (168,875) |
| Net Cash Provided (Used) for Capital and Related Financing Activities | <u>(101,978)</u> | <u>(79,017)</u> | <u>(180,995)</u> |
| Cash Flows from Investing Activities: | | | |
| <i>Interest on Investments</i> | 37 | -- | 37 |
| Net Cash Provided (Used) for Investing Activities | <u>37</u> | <u>--</u> | <u>37</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 611,893 | (22,306) | 589,587 |
| Cash and Cash Equivalents at Beginning of Year (reclassified) | 212,810 | 66,649 | 279,459 |
| Cash and Cash Equivalents at End of Year | <u>\$ 824,703</u> | <u>\$ 44,343</u> | <u>\$ 869,046</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | \$ 564,614 | \$ (96,562) | \$ 468,052 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | |
| <i>Depreciation</i> | 152,712 | 126,435 | 279,147 |
| <i>Miscellaneous income</i> | 9,854 | 14,415 | 24,269 |
| Change in Assets and Liabilities: | | | |
| <i>Decrease (Increase) in Receivables</i> | (4,310) | 15,099 | 10,789 |
| <i>Increase (Decrease) in Accounts Payable</i> | 747 | (2,036) | (1,289) |
| <i>Increase (Decrease) in Customer Deposits</i> | 300 | (640) | (340) |
| <i>Increase (Decrease) in Unearned Revenue</i> | 453 | -- | 453 |
| Total Adjustments | <u>159,756</u> | <u>153,273</u> | <u>313,029</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 724,370</u> | <u>\$ 56,711</u> | <u>\$ 781,081</u> |
| Noncash Activities | | | |
| <i>Purchase of equipment by lease</i> | \$ 383,000 | \$ -- | \$ 383,000 |
| <i>Proceeds of capital lease</i> | <u>\$ 383,000</u> | <u>\$ --</u> | <u>\$ 383,000</u> |

STATISTICAL SECTION

This part of the City Of Stephenville, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| Contents | Page |
|---|------|
| Financial Trends | 76 |
| <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 84 |
| <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i> | |
| Debt Capacity | 90 |
| <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 95 |
| <i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i> | |
| Operating Information | 97 |
| <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i> | |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF STEPHENVILLE, TEXAS**NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS****(ACCRUAL BASIS OF ACCOUNTING)****(UNAUDITED)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|----------------------|-------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | | |
| Net Investment in | | | | | |
| Capital assets | \$ 9,734,777 | 10,157,475 | \$ 10,513,386 | \$ 18,471,335 | \$ 16,763,870 |
| Restricted | 381,849 | 366,934 | 397,365 | 434,394 | 405,640 |
| Unrestricted | 10,237,660 | 11,232,319 | 12,162,240 | 5,252,462 | 7,952,264 |
| Total Governmental | | | | | |
| Activities Net Position | \$ <u>20,354,286</u> | <u>21,756,728</u> | \$ <u>23,072,991</u> | \$ <u>24,158,191</u> | \$ <u>25,121,774</u> |
| Business-type Activities | | | | | |
| Net Investment in | | | | | |
| Capital assets | \$ 17,432,394 | 16,564,217 | \$ 21,231,388 | \$ 23,495,495 | \$ 25,323,978 |
| Restricted | 599,910 | 665,099 | 554,647 | 710,870 | 690,998 |
| Unrestricted | 6,516,830 | 9,087,784 | 7,178,489 | 5,974,684 | 4,566,114 |
| Total Business-type | | | | | |
| Activities Net Position | \$ <u>24,549,134</u> | <u>26,317,100</u> | \$ <u>28,964,524</u> | \$ <u>30,181,049</u> | \$ <u>30,581,090</u> |
| Primary Government | | | | | |
| Net Investment in | | | | | |
| Capital assets | \$ 27,167,171 | 26,721,692 | \$ 31,744,774 | \$ 41,966,830 | \$ 42,087,848 |
| Restricted | 981,759 | 1,032,033 | 952,012 | 1,145,264 | 1,096,638 |
| Unrestricted | 16,754,490 | 20,320,103 | 19,340,729 | 11,227,146 | 12,518,378 |
| Total Primary | | | | | |
| Government Net Position | \$ <u>44,903,420</u> | <u>48,073,828</u> | \$ <u>52,037,515</u> | \$ <u>54,339,240</u> | \$ <u>55,702,864</u> |

Note: Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-1

| 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 16,605,859 | \$ 17,500,689 | \$ 17,032,179 | \$ 18,024,389 | \$ 18,038,284 |
| 420,877 | 450,527 | 870,780 | 523,019 | 427,493 |
| <u>8,156,696</u> | <u>7,680,873</u> | <u>8,355,906</u> | <u>9,150,340</u> | <u>8,142,434</u> |
| <u>\$ 25,183,432</u> | <u>\$ 25,632,089</u> | <u>\$ 26,258,865</u> | <u>\$ 27,697,748</u> | <u>\$ 26,608,211</u> |
| | | | | |
| \$ 26,538,623 | \$ 28,438,665 | \$ 30,080,475 | \$ 32,099,918 | \$ 33,151,854 |
| 714,547 | 842,224 | 2,706,411 | 1,023,271 | 1,019,719 |
| <u>5,548,656</u> | <u>5,243,744</u> | <u>2,965,331</u> | <u>4,112,342</u> | <u>4,382,362</u> |
| <u>\$ 32,801,826</u> | <u>\$ 34,524,633</u> | <u>\$ 35,752,217</u> | <u>\$ 37,235,531</u> | <u>\$ 38,553,935</u> |
| | | | | |
| \$ 43,144,482 | \$ 45,939,354 | \$ 47,112,654 | \$ 50,124,307 | \$ 51,190,138 |
| 1,135,424 | 1,292,751 | 3,577,191 | 1,546,290 | 1,447,212 |
| <u>13,705,352</u> | <u>12,924,617</u> | <u>11,321,237</u> | <u>13,262,682</u> | <u>12,524,796</u> |
| <u>\$ 57,985,258</u> | <u>\$ 60,156,722</u> | <u>\$ 62,011,082</u> | <u>\$ 64,933,279</u> | <u>\$ 65,162,146</u> |

CITY OF STEPHENVILLE, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|----------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 1,441,939 | \$ 1,591,258 | \$ 1,331,583 | \$ 1,309,902 | \$ 1,412,441 |
| Public Safety | 4,689,443 | 5,187,628 | 5,504,975 | 6,043,653 | 6,252,861 |
| Streets | 1,098,979 | 1,144,681 | 1,183,435 | 1,210,135 | 1,426,590 |
| Culture and recreation | 1,646,017 | 1,733,627 | 2,166,545 | 2,340,312 | 2,438,756 |
| Community development | 343,135 | 381,091 | 395,182 | 408,144 | 427,769 |
| Interest on Long-Term Debt | 91,817 | 65,926 | 103,490 | 72,220 | 141,220 |
| Total Governmental | | | | | |
| Activities Expenses | \$ 9,311,330 | \$ 10,104,211 | \$ 10,685,210 | \$ 11,384,366 | \$ 12,099,637 |
| Business-type Activities | | | | | |
| Water and Wastewater | 4,681,174 | 4,776,359 | 4,526,893 | 4,819,886 | 5,054,152 |
| Sanitary landfill | 119,832 | 272,010 | 290,349 | 527,255 | 294,407 |
| Airport | 18,075 | 130,169 | 127,018 | 170,287 | 158,085 |
| Storm Water Drainage | 232,955 | 141,516 | 245,371 | 346,159 | 580,590 |
| Total Business-type Activities Expenses | 5,052,036 | 5,320,054 | 5,189,631 | 5,863,587 | 6,087,234 |
| Total Primary Government Expenses | \$ 14,363,366 | \$ 15,424,265 | \$ 15,874,841 | \$ 17,247,953 | \$ 18,186,871 |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for Services: | | | | | |
| General Government | \$ 177,636 | \$ 243,929 | \$ 219,353 | \$ 231,122 | \$ 215,757 |
| Public Safety | 600,332 | 687,567 | 906,131 | 677,662 | 834,180 |
| Streets | 17,444 | 27,425 | 24,046 | 21,472 | 24,713 |
| Culture and recreation | 132,125 | 171,931 | 145,225 | 221,589 | 317,917 |
| Community development | 180,304 | 160,745 | 272,729 | 126,186 | 177,401 |
| Operating Grants and Contributions | 172,884 | 115,859 | 57,969 | 109,861 | 43,417 |
| Capital Grants and Contributions | 177,503 | 115,556 | 148 | 740,974 | 1,602,301 |
| Total Governmental | | | | | |
| Activities Program Revenues | \$ 1,458,228 | \$ 1,523,012 | \$ 1,625,601 | \$ 2,128,866 | \$ 3,215,686 |
| Business-type Activities: | | | | | |
| Charges for Services: | | | | | |
| Water and Wastewater | \$ 5,628,658 | \$ 5,092,578 | \$ 5,469,932 | \$ 5,492,233 | \$ 5,396,349 |
| Sanitary landfill | 162,306 | 170,814 | 275,915 | 414,503 | 175,153 |
| Airport | 51,037 | 61,916 | 68,186 | 73,180 | 72,408 |
| Storm Water Drainage | 485,314 | 500,779 | 577,766 | 584,439 | 588,141 |
| Operating Grants and Contributions | -- | -- | -- | 20,062 | 17,808 |
| Capital Grants and Contributions | 599,393 | 169,370 | 870,718 | 249,253 | 402,702 |
| Total Business-type | | | | | |
| Activities Program Revenues | 6,926,708 | 5,995,457 | 7,262,517 | 6,833,670 | 6,652,561 |
| Total Primary Government | | | | | |
| Program Revenues | \$ 8,384,936 | \$ 7,518,469 | \$ 8,888,118 | \$ 8,962,536 | \$ 9,868,247 |
| Net (Expense)/Revenue | | | | | |
| Governmental Activities | \$ (7,853,102) | \$ (8,581,199) | \$ (9,059,609) | \$ (9,255,500) | \$ (8,883,951) |
| Business-type Activities | 1,874,672 | 675,403 | 2,072,886 | 970,083 | 565,327 |
| Total Primary Government Net Expense | \$ (5,978,430) | \$ (7,905,796) | \$ (6,986,723) | \$ (8,285,417) | \$ (8,318,624) |

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-2

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|----|--------------|-----------------|-----------------|-----------------|-----------------|
| \$ | 1,374,221 | \$ 1,518,207 | \$ 2,076,100 | \$ 2,353,191 | \$ 1,922,897 |
| | 6,274,700 | 6,496,290 | 6,786,524 | 6,948,549 | 7,879,067 |
| | 1,479,381 | 1,567,117 | 1,432,818 | 1,274,173 | 1,462,172 |
| | 2,522,284 | 2,509,599 | 2,157,175 | 2,037,539 | 1,705,654 |
| | 374,335 | 433,360 | 521,710 | 444,401 | 471,855 |
| | 97,809 | 151,197 | 128,398 | 108,289 | 77,063 |
| \$ | 12,122,730 | \$ 12,675,770 | \$ 13,102,725 | \$ 13,166,142 | \$ 13,518,708 |
| | 4,846,996 | 4,833,953 | 5,018,940 | 5,237,160 | 5,326,721 |
| | 313,982 | 313,978 | 282,952 | 305,179 | 395,474 |
| | 160,803 | 181,904 | 183,145 | 193,368 | 207,538 |
| | 600,859 | 562,207 | 535,056 | 528,208 | 558,501 |
| | 5,922,640 | 5,892,042 | 6,020,093 | 6,263,915 | 6,488,234 |
| \$ | 18,045,370 | \$ 18,567,812 | \$ 19,122,818 | \$ 19,430,057 | \$ 20,006,942 |
| \$ | 216,870 | \$ 219,082 | \$ 217,686 | \$ 205,782 | \$ 22,648 |
| | 893,207 | 1,077,514 | 959,364 | 1,073,838 | 989,630 |
| | 24,419 | 95,954 | 30,443 | 28,170 | 42,749 |
| | 338,662 | 363,650 | 346,442 | 288,540 | 321,565 |
| | 249,501 | 193,592 | 413,762 | 265,863 | 217,805 |
| | 40,015 | 29,142 | 53,796 | 63,038 | 147,200 |
| | 258,933 | 159,402 | -- | 188,262 | 3,654 |
| \$ | 2,021,607 | \$ 2,138,336 | \$ 2,021,493 | \$ 2,113,493 | \$ 1,745,251 |
| \$ | 6,147,606 | \$ 6,055,936 | \$ 6,443,152 | \$ 6,708,108 | \$ 6,485,177 |
| | 277,985 | 200,546 | 297,650 | 457,086 | 955,391 |
| | 76,015 | 93,493 | 110,200 | 104,440 | 107,544 |
| | 591,326 | 604,231 | 620,595 | 618,993 | 611,827 |
| | 5,184 | 7,868 | -- | -- | -- |
| | 528,471 | 813,212 | 27,652 | 109,614 | 175,651 |
| | 7,626,587 | 7,775,286 | 7,499,249 | 7,998,241 | 8,335,590 |
| \$ | 9,648,194 | \$ 9,913,622 | \$ 9,520,742 | \$ 10,111,734 | \$ 10,080,841 |
| \$ | (10,101,123) | \$ (10,537,434) | \$ (11,081,232) | \$ (11,052,649) | \$ (11,773,457) |
| | 1,703,947 | 1,883,244 | 1,479,156 | 1,734,326 | 1,847,356 |
| \$ | (8,397,176) | \$ (8,654,190) | \$ (9,602,076) | \$ (9,318,323) | \$ (9,926,101) |

CITY OF STEPHENVILLE, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|------------------|---------------|---------------|---------------|-------------|
| Net (Expense)/Revenue | | | | | |
| Governmental Activities | \$ (7,853,102)\$ | (8,581,199)\$ | (9,059,609)\$ | (9,255,500)\$ | (8,883,951) |
| Business-type Activities | 1,874,672 | 675,403 | 2,072,886 | 970,083 | 565,327 |
| Total Primary Government Net Expense | \$ (5,978,430)\$ | (7,905,796)\$ | (6,986,723)\$ | (8,285,417)\$ | (8,318,624) |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities: | | | | | |
| Taxes | | | | | |
| Property Taxes - General Purposes | \$ 2,657,106 \$ | 2,913,521 \$ | 3,131,702 \$ | 3,382,272 \$ | 3,371,138 |
| Property Taxes - Debt Service | 437,146 | 476,117 | 527,921 | 536,671 | 608,404 |
| Sales Taxes | 4,101,973 | 4,351,269 | 4,745,309 | 4,622,690 | 4,275,545 |
| Franchise Taxes | 1,423,615 | 1,370,838 | 1,169,858 | 1,186,650 | 1,018,036 |
| Other Taxes | 312,528 | 388,013 | 434,498 | 372,815 | 341,456 |
| Gain on Sale of Capital Assets | -- | -- | -- | -- | 323,641 |
| Investment Earnings | 441,986 | 623,810 | 454,269 | 108,218 | 32,294 |
| Insurance Proceeds | -- | -- | -- | -- | -- |
| Miscellaneous | 34,663 | 75,994 | 17,186 | 124,613 | 14,190 |
| Transfers | (116,979) | (215,921) | (107,871) | 6,771 | (112,834) |
| Total Governmental Activities | \$ 9,292,038 \$ | 9,983,641 \$ | 10,372,872 \$ | 10,340,700 \$ | 9,871,870 |
| Business-type Activities: | | | | | |
| Investment Earnings | 518,164 | 876,642 | 469,667 | 68,079 | 6,714 |
| Gain on Sale of Capital Assets | -- | -- | -- | -- | -- |
| Miscellaneous | 32,037 | -- | -- | 7,888 | -- |
| Transfers | 116,979 | 215,921 | 104,871 | (6,771) | 112,834 |
| Total Business-type Activities | 667,180 | 1,092,563 | 574,538 | 69,196 | 119,548 |
| Total Primary Government | \$ 9,959,218 \$ | 11,076,204 \$ | 10,947,410 \$ | 10,409,896 \$ | 9,991,418 |
| Change in Net Position | | | | | |
| Governmental Activities | \$ 1,438,936 \$ | 1,402,442 \$ | 1,313,263 \$ | 1,085,200 \$ | 987,919 |
| Business-type Activities | 2,541,852 | 1,767,966 | 2,647,424 | 1,039,279 | 684,875 |
| Total Primary Government | \$ 3,980,788 \$ | 3,170,408 \$ | 3,960,687 \$ | 2,124,479 \$ | 1,672,794 |

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-3

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|----|----------------|----------------|----------------|----------------|--------------|
| \$ | (10,101,123)\$ | (10,537,434)\$ | (11,081,232)\$ | (11,052,649)\$ | (11,773,457) |
| | 1,703,947 | 1,883,244 | 1,479,156 | 1,734,326 | 1,847,356 |
| \$ | (8,397,176)\$ | (8,654,190)\$ | (9,602,076)\$ | (9,318,323)\$ | (9,926,101) |
| | | | | | |
| \$ | 3,595,948 \$ | 3,787,828 \$ | 4,049,755 \$ | 4,321,370 \$ | 4,386,134 |
| | 526,519 | 593,543 | 589,867 | 595,444 | 576,847 |
| | 4,616,312 | 5,191,213 | 5,281,663 | 5,485,705 | 5,718,579 |
| | 1,120,678 | 1,122,934 | 1,097,564 | 1,166,503 | 1,525,602 |
| | 363,645 | 393,461 | 374,806 | 450,456 | 502,017 |
| | 12,159 | -- | 10,056 | 110,122 | -- |
| | 13,517 | 14,651 | 11,546 | 6,157 | 5,990 |
| | -- | -- | -- | -- | 63,740 |
| | 26,870 | 18,320 | 35,902 | 100,731 | 164,842 |
| | (137,203) | 21,161 | 256,849 | 255,044 | 208,824 |
| \$ | 10,138,445 \$ | 11,143,111 \$ | 11,708,008 \$ | 12,491,532 \$ | 13,152,575 |
| | | | | | |
| | 5,151 | 7,716 | 6,780 | 4,032 | 4,891 |
| | -- | -- | -- | -- | 17,106 |
| | -- | -- | (1,504) | -- | 33,292 |
| | 137,203 | (21,161) | (256,849) | (255,044) | (208,824) |
| | 142,354 | (13,445) | (251,573) | (251,012) | (153,535) |
| \$ | 10,280,799 \$ | 11,129,666 \$ | 11,456,435 \$ | 12,240,520 \$ | 12,999,040 |
| | | | | | |
| \$ | 37,322 \$ | 605,677 \$ | 626,776 \$ | 1,438,883 \$ | 1,379,118 |
| | 1,846,301 | 1,869,799 | 1,227,583 | 1,483,314 | 1,693,821 |
| \$ | 1,883,623 \$ | 2,475,476 \$ | 1,854,359 \$ | 2,922,197 \$ | 3,072,939 |

TABLE D-4

CITY OF STEPHENVILLE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 10,352 | \$ 15,224 | \$ 8,653 | \$ 12,680 | \$ 9,148 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Unreserved | 9,045,429 | 10,039,416 | 9,555,553 | 7,358,831 | 7,196,152 | -- | -- | -- | -- | -- |
| Nonspendable | -- | -- | -- | -- | -- | 18,836 | 17,399 | 19,417 | 10,995 | 7,016 |
| Assigned | -- | -- | -- | -- | -- | 3,750,000 | 1,989,442 | 2,400,000 | 3,000,000 | 3,000,000 |
| Unassigned | -- | -- | -- | -- | -- | 3,779,268 | 5,113,489 | 5,246,245 | 5,868,872 | 6,786,574 |
| Total General Fund | \$ 9,055,781 | \$ 10,054,640 | \$ 9,564,206 | \$ 7,371,511 | \$ 7,205,300 | \$ 7,548,104 | \$ 7,120,330 | \$ 7,665,662 | \$ 8,879,867 | \$ 9,793,590 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Debt Service Funds | \$ 69,443 | \$ 82,233 | \$ 89,253 | \$ 96,071 | \$ 93,267 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Unreserved, Reported In: | | | | | | | | | | |
| Special Revenue Funds | 318,028 | 280,798 | 350,750 | 332,799 | 337,679 | -- | -- | -- | -- | -- |
| Capital Projects Funds | 1,051,972 | 1,069,303 | 2,429,680 | 1,676,876 | 1,155,196 | -- | -- | -- | -- | -- |
| Restricted | -- | -- | -- | -- | -- | 424,194 | 4,206,447 | 1,201,698 | 824,262 | 702,559 |
| Assigned | -- | -- | -- | -- | -- | 486,235 | 529,093 | 416,371 | 416,371 | 416,727 |
| Total All Other Governmental Funds | \$ 1,439,443 | \$ 1,432,334 | \$ 2,869,683 | \$ 2,105,746 | \$ 1,586,142 | \$ 910,429 | \$ 4,735,540 | \$ 1,618,069 | \$ 1,240,633 | \$ 1,119,286 |

Note:

The City implemented GASB Statement 54 in fiscal year 2011. Prior year balances have not been restated to conform to GASB Statement 54.

TABLE D-5

CITY OF STEPHENVILLE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|---------------|----------------|--------------|---------------|---------------|----------------|---------------|---------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 8,942,235 | \$ 9,506,528 | \$ 10,004,265 | \$ 10,104,779 | \$ 9,570,777 | \$ 10,251,019 | \$ 11,062,514 | \$ 11,394,371 | \$ 12,014,282 | \$ 12,733,241 |
| Charges for Services | 640,935 | 738,526 | 839,684 | 948,049 | 1,178,800 | 1,076,971 | 1,291,337 | 1,198,408 | 1,131,850 | 1,111,193 |
| Fines and Forfeitures | 279,716 | 353,889 | 361,027 | 226,083 | 229,357 | 295,075 | 318,899 | 361,236 | 294,084 | 258,384 |
| Licenses, Fees and Permits | 183,839 | 164,071 | 275,887 | 131,341 | 138,675 | 255,269 | 182,517 | 398,093 | 261,126 | 227,979 |
| Intergovernmental | 188,096 | 111,889 | 87,730 | 124,581 | 1,366,544 | 147,510 | 233,670 | 65,465 | 127,751 | 200,634 |
| Investment Earnings | 441,986 | 623,810 | 454,269 | 108,218 | 32,294 | 13,517 | 14,651 | 11,546 | 6,157 | 5,990 |
| Miscellaneous | 60,110 | 119,731 | 19,734 | 35,189 | 19,269 | 37,977 | 18,189 | 75,550 | 103,839 | 167,941 |
| Special Assessments | 28,122 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Revenues | 10,765,039 | 11,618,444 | 12,042,596 | 11,678,240 | 12,535,716 | 12,077,338 | 13,121,777 | 13,504,669 | 13,939,089 | 14,705,362 |
| Expenditures | | | | | | | | | | |
| General Government | 1,349,248 | 1,491,202 | 1,293,925 | 1,355,822 | 1,359,012 | 1,319,243 | 1,504,855 | 1,997,675 | 2,289,098 | 1,922,184 |
| Public Safety | 4,562,217 | 4,955,771 | 5,459,268 | 5,827,418 | 6,048,150 | 6,084,813 | 6,210,892 | 6,410,938 | 6,725,152 | 7,668,000 |
| Streets | 699,290 | 735,614 | 824,764 | 845,429 | 850,428 | 937,367 | 968,236 | 920,417 | 780,006 | 968,092 |
| Culture and Recreation | 1,466,261 | 1,518,938 | 1,931,846 | 2,006,999 | 2,072,331 | 2,189,768 | 2,268,386 | 1,859,640 | 1,795,809 | 1,853,439 |
| Community Development | 337,659 | 375,614 | 394,833 | 407,208 | 420,982 | 367,228 | 414,769 | 514,474 | 419,054 | 456,196 |
| Capital Outlay | 952,446 | 807,528 | 1,902,168 | 5,265,493 | 2,099,912 | 889,326 | 1,793,507 | 4,076,340 | 985,179 | 859,897 |
| Debt Service | | | | | | | | | | |
| Principal | 430,000 | 455,000 | 475,000 | 425,000 | 460,000 | 420,000 | 440,000 | 455,000 | 465,000 | 505,000 |
| Interest | 91,817 | 71,105 | 49,195 | 99,652 | 144,279 | 98,117 | 139,305 | 126,693 | 120,261 | 77,845 |
| Bond Issuance Cost | -- | -- | 12,725 | 25,000 | -- | -- | 45,000 | 5,312 | 11,027 | -- |
| Advance Refunding Escrow | -- | -- | -- | -- | -- | -- | -- | 382,370 | 1,323,441 | -- |
| Total Expenditures | 9,888,938 | 10,410,772 | 12,343,724 | 16,258,021 | 13,455,094 | 12,305,862 | 13,784,950 | 16,748,859 | 14,914,027 | 14,310,653 |
| Excess of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | 876,101 | 1,207,672 | (301,128) | (4,579,781) | (919,378) | (228,524) | (663,173) | (3,244,190) | (974,938) | 394,709 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Bonds Issued | -- | -- | 1,325,000 | 1,500,000 | -- | -- | 4,000,000 | 370,000 | 1,336,841 | -- |
| Premium on Bonds | -- | -- | -- | -- | -- | -- | -- | 22,904 | -- | -- |
| Discount on Bonds | -- | -- | -- | -- | -- | -- | -- | (2,651) | -- | -- |
| Capital Leases | -- | -- | -- | -- | -- | -- | -- | -- | -- | 113,938 |
| Sale of General Capital Assets | -- | -- | 27,914 | 21,881 | 338,054 | 27,316 | 27,851 | 24,950 | 219,822 | 11,165 |
| Insurance proceeds | -- | -- | -- | 94,497 | 8,343 | 5,502 | 11,498 | -- | -- | 63,740 |
| Transfers In | 94,500 | 55,000 | 207,629 | 2,461,037 | 204,320 | 292,052 | 741,161 | 506,849 | 1,196,840 | 208,824 |
| Transfers Out | (211,479) | (270,921) | (312,500) | (2,454,266) | (317,154) | (429,255) | (720,000) | (250,000) | (941,796) | -- |
| Total Other Financing Sources (Uses) | (116,979) | (215,921) | 1,248,043 | 1,623,149 | 233,563 | (104,385) | 4,060,510 | 672,052 | 1,811,707 | 397,667 |
| Net Change in Fund Balances | \$ 759,122 | \$ 991,751 | \$ 946,915 | \$ (2,956,632) | \$ (685,815) | \$ (332,909) | \$ 3,397,337 | \$ (2,572,138) | \$ 836,769 | \$ 792,376 |
| Debt Service As A Percentage Of Noncapital Expenditures | 6.2% | 5.8% | 5.3% | 5.0% | 5.6% | 4.8% | 5.0% | 5.1% | 13.7% | 4.4% |

TABLE D-6

CITY OF STEPHENVILLE, TEXAS**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY****LAST TEN FISCAL YEARS****(UNAUDITED)**

| <u>Fiscal Year</u> | <u>Residential Property</u> | <u>Commercial Property</u> | <u>Industrial Property</u> | <u>Less: Tax-Exempt Property</u> | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> | <u>Estimated Actual Taxable Value</u> | <u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u> |
|--------------------|-----------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------------|------------------------------|---------------------------------------|---|
| 2006 | \$ 387,312,400 | \$ 403,019,380 | \$ 113,971,870 | \$ 260,321,554 | \$ 643,982,096 | \$ 0.4750 | \$ 657,124,588 | 98.000% |
| 2007 | 436,191,340 | 446,012,320 | 124,665,270 | 287,207,489 | 719,661,441 | 0.4650 | 734,348,409 | 98.000% |
| 2008 | 473,515,020 | 493,287,390 | 139,045,430 | 287,501,749 | 818,346,091 | 0.4450 | 835,047,032 | 98.000% |
| 2009 | 530,504,500 | 521,967,390 | 134,864,860 | 296,981,931 | 890,354,819 | 0.4350 | 908,525,326 | 98.000% |
| 2010 | 541,059,730 | 514,106,150 | 145,588,370 | 305,171,070 | 895,583,180 | 0.4435 | 913,860,388 | 98.000% |
| 2011 | 546,372,660 | 514,213,740 | 127,553,350 | 302,938,397 | 885,201,353 | 0.4600 | 903,266,687 | 98.000% |
| 2012 | 555,032,740 | 511,780,800 | 148,096,980 | 317,517,724 | 897,392,796 | 0.4850 | 915,706,935 | 98.000% |
| 2013 | 561,570,020 | 546,842,640 | 225,183,450 | 384,611,442 | 948,984,668 | 0.4850 | 968,351,702 | 98.000% |
| 2014 | 567,670,640 | 562,727,447 | 297,556,973 | 441,606,152 | 986,348,908 | 0.4950 | 1,006,478,478 | 98.000% |
| 2015 | 598,375,460 | 750,961,010 | 245,239,590 | 590,694,529 | 1,003,881,531 | 0.4900 | 1,024,368,909 | 98.000% |

Source: Erath County Appraisal District.

Note: Property in Erath County is reassessed once every three years on average. The County assesses property at approximately 95 percent of actual value for commercial, industrial and residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax Rates are per \$100 of assessed value.

TABLE D-7

CITY OF STEPHENVILLE, TEXAS*DIRECT AND OVERLAPPING PROPERTY TAX RATES**LAST TEN FISCAL YEARS**(UNAUDITED)*

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | | Total Direct and Overlapping Rates |
|----------------|-------------------|--|-------------------------|-----------------------------------|--|-----------------|---|
| | Basic Rate | General Obligation Debt Service | Total Direct Rate | Stephenvile School District | Middle Trinity Water District | Erath County | |
| 2006 | \$ 0.4079 | \$ 0.0671 | \$ 0.4750 | \$ 1.6600 | \$ 0.0150 | \$ 0.4410 | \$ 2.5910 |
| 2007 | 0.3996 | 0.0654 | 0.4650 | 1.5199 | 0.0150 | 0.4352 | 2.4351 |
| 2008 | 0.3811 | 0.0639 | 0.4450 | 1.1920 | 0.0150 | 0.4187 | 2.0707 |
| 2009 | 0.3762 | 0.0588 | 0.4350 | 1.1470 | 0.0150 | 0.3915 | 1.9885 |
| 2010 | 0.3762 | 0.0673 | 0.4435 | 1.1470 | 0.0150 | 0.3900 | 1.9955 |
| 2011 | 0.4015 | 0.0585 | 0.4600 | 1.1470 | 0.0150 | 0.4500 | 2.0720 |
| 2012 | 0.4194 | 0.0656 | 0.4850 | 1.1700 | 0.0150 | 0.4700 | 2.1400 |
| 2013 | 0.4235 | 0.0615 | 0.4850 | 1.1940 | 0.0145 | 0.4700 | 2.1635 |
| 2014 | 0.4357 | 0.0593 | 0.4950 | 1.2170 | 0.0145 | 0.4700 | 2.1965 |
| 2015 | 0.4330 | 0.0570 | 0.4900 | 1.2349 | 0.0125 | 0.4700 | 2.2074 |

Source: Erath County Appraisal District.

Notes: The City's basic property tax rate may be increased only by a majority vote of the City council. Rates for debt service are set based on each year's requirements.

Overlapping rates are those of local and county governments that apply to property owners within the City of Stephenville, Texas.

CITY OF STEPHENVILLE, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (UNAUDITED)

| Taxpayer | 2015 | | | 2006 | | |
|---------------------------|------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| FMC Company | \$ 60,362,879 | 1 | 6.01% | \$ 20,239,816 | 1 | 2.81% |
| Oncor Electric Delivery | 15,477,872 | 2 | 1.54% | 8,427,920 | 3 | 1.17% |
| Bosque River Associates | 11,057,310 | 3 | 1.10% | 7,752,330 | 5 | 1.08% |
| Stephenville Campus Crest | 9,460,960 | 4 | 0.94% | -- | -- | -- |
| Wal-Mart Stores, Inc. #1 | 8,354,950 | 5 | 0.83% | 7,673,710 | 4 | 1.07% |
| Bruner Motors | 8,221,950 | 6 | 0.82% | -- | -- | -- |
| Saint Gobain Abrasives #1 | 8,213,027 | 7 | 0.82% | 10,523,898 | 2 | 1.46% |
| TSU Partners Ltd. | 7,913,100 | 8 | 0.79% | -- | -- | -- |
| MIMG LXI Oak Tree Sub LLC | 6,435,890 | 9 | 0.64% | -- | -- | -- |
| Tejas Tubuler, Inc | 6,412,150 | 10 | 0.64% | -- | -- | -- |
| STAM Ltd. | -- | -- | -- | 7,239,420 | 6 | 1.01% |
| Saint Gobain Abrasives #2 | -- | -- | -- | 6,789,370 | 7 | 0.94% |
| United Telephone Company | -- | -- | -- | 6,646,910 | 8 | 0.92% |
| Wilmington Trust | -- | -- | -- | 6,249,360 | 9 | 0.87% |
| Rayloc Genaut | -- | -- | -- | 4,654,381 | 10 | 0.65% |
| Subtotal | 141,910,088 | | 14.14% | 86,197,115 | | 11.98% |
| Remaining Roll | 861,971,443 | | 85.86% | 633,464,326 | | 88.02% |
| Total | \$ 1,003,881,531 | | 100.00% | \$ 719,661,441 | | 100.00% |

Source: Erath County Appraisal District.

TABLE D-9

CITY OF STEPHENVILLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

| Fiscal Year | Taxes Levied for the Fiscal Year | | Collected Within the Fiscal Year of the Levy | | Collections In Subsequent Years | Total Collections to Date | | Outstanding As of 9/30/15 |
|-------------|----------------------------------|-----------|--|--------------------|---------------------------------|---------------------------|--------------------|---------------------------|
| | | | Amount | Percentage of Levy | | Amount | Percentage of Levy | |
| 2006 | \$ | 3,066,225 | 3,018,008 | 98.43% | \$ 47,027 | \$ 3,065,035 | 99.96% | \$ 1,190 |
| 2007 | | 3,344,539 | 3,307,083 | 98.88% | 34,982 | 3,342,065 | 99.93% | 2,474 |
| 2008 | | 3,641,808 | 3,602,598 | 98.92% | 36,017 | 3,638,615 | 99.91% | 3,193 |
| 2009 | | 3,874,843 | 3,822,492 | 98.65% | 48,770 | 3,871,262 | 99.91% | 3,581 |
| 2010 | | 3,965,938 | 3,887,038 | 98.01% | 72,599 | 3,959,637 | 99.84% | 6,301 |
| 2011 | | 4,059,655 | 4,007,449 | 98.71% | 47,510 | 4,054,959 | 99.88% | 4,696 |
| 2012 | | 4,343,596 | 4,302,513 | 99.05% | 36,285 | 4,338,798 | 99.89% | 4,798 |
| 2013 | | 4,594,127 | 4,554,491 | 99.14% | 33,358 | 4,587,849 | 99.86% | 6,278 |
| 2014 | | 4,868,772 | 4,820,901 | 99.02% | 32,011 | 4,852,912 | 99.67% | 15,860 |
| 2015 | | 4,914,157 | 4,889,253 | 99.49% | -- | 4,889,253 | 99.49% | 24,904 |

Sources: Erath County Appraisal District and Erath County Tax Assessor-Collector.

TABLE D-10

CITY OF STEPHENVILLE, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(UNAUDITED)

| | Calendar Year | | | | | | | | | |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Services | \$ 49,320,823 | \$ 71,858,401 | \$ 76,028,119 | \$ 49,193,540 | \$ 86,982,895 | \$ 82,499,237 | \$ 80,715,109 | \$ 80,104,182 | \$ 82,376,390 | \$ 114,394,482 |
| Miscellaneous retail | 80,531,798 | 49,403,150 | 48,667,125 | 44,489,869 | 48,279,279 | 50,223,257 | 57,031,030 | 51,246,891 | 52,221,686 | 54,975,621 |
| Eating & drinking places | 32,262,706 | 40,364,318 | 42,334,617 | 42,711,764 | 48,849,862 | 45,659,353 | 48,634,297 | 51,945,376 | 55,015,006 | 60,296,991 |
| Home furnishings | 12,512,541 | 11,731,913 | 14,290,218 | 16,871,237 | 13,568,590 | 13,494,549 | 13,893,238 | 7,144,077 | 7,209,200 | 7,246,403 |
| Apparel stores | 10,320,484 | 8,377,240 | 8,953,809 | 10,484,097 | 9,075,222 | 8,174,834 | 8,341,058 | 8,639,294 | 8,799,575 | 10,578,892 |
| Automotive stores | 98,285,906 | 92,176,886 | 96,669,383 | 81,500,893 | 66,976,599 | 83,707,882 | 92,836,643 | 115,540,159 | 113,933,329 | 123,712,193 |
| Food stores | 50,220,262 | 79,872,788 | 86,582,692 | 95,208,346 | 87,040,250 | 49,273,894 | 57,733,375 | 56,734,012 | 57,179,417 | 59,377,144 |
| General merchandise | 99,866,700 | 104,523,324 | 109,784,929 | 111,619,423 | 112,954,176 | 114,441,489 | 121,061,076 | 120,479,906 | 120,780,721 | 123,134,874 |
| Building & garden supplies | 11,459,257 | 27,989,048 | 27,463,226 | 34,620,369 | 25,243,662 | 27,131,515 | 28,142,214 | 27,030,238 | 28,455,504 | 31,727,307 |
| Wholesale trade | 68,280,278 | 67,301,228 | 73,871,807 | 60,058,266 | 45,407,615 | 53,330,189 | 54,781,219 | 53,509,172 | 47,091,948 | 45,902,673 |
| Transportation utilities | 17,150,687 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Manufacturing | 80,935,615 | 109,201,262 | 32,715,340 | 44,918,121 | 27,630,740 | 24,080,368 | 20,743,984 | 23,103,447 | 27,220,571 | 51,074,808 |
| Construction | 14,952,354 | 17,075,913 | 18,986,754 | 23,019,467 | 22,107,859 | 26,360,348 | 24,673,453 | 20,487,172 | 23,399,150 | 29,565,160 |
| Other | 11,021,143 | 16,234,607 | 17,719,701 | 19,568,861 | 17,355,540 | 18,688,413 | 20,498,610 | 24,770,674 | 31,521,635 | 29,361,821 |
| Agriculture | 7,129,038 | 216,971 | 201,722 | 445,684 | 497,983 | 192,638 | 310,294 | 227,301 | 346,309 | 157,377 |
| Total | \$ 644,249,592 | \$ 696,327,049 | \$ 654,269,442 | \$ 634,709,937 | \$ 611,970,272 | \$ 597,257,966 | \$ 629,395,600 | \$ 640,961,901 | \$ 655,550,441 | \$ 741,505,746 |
| Direct Sales Tax Rate | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |

Source: Office of the Comptroller of the State of Texas.

Note: Retail sales information is not available on a fiscal-year basis.

CITY OF STEPHENVILLE, TEXAS

*DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)*

| <u>Fiscal Year</u> | <u>City Direct Rate</u> | <u>Sales Tax for Property Tax Relief</u> |
|------------------------|---------------------------------|--|
| 2006 | 1.00% | 0.50% |
| 2007 | 1.00% | 0.50% |
| 2008 | 1.00% | 0.50% |
| 2009 | 1.00% | 0.50% |
| 2010 | 1.00% | 0.50% |
| 2011 | 1.00% | 0.50% |
| 2012 | 1.00% | 0.50% |
| 2013 | 1.00% | 0.50% |
| 2014 | 1.00% | 0.50% |
| 2015 | 1.00% | 0.50% |

Source: Office of the Comptroller of the State of Texas.

TABLE D-12

CITY OF STEPHENVILLE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

| Governmental Activities | | | | | | | |
|-------------------------|--------------------------|-------------------------------|----------------------------------|----------------|--|--|--|
| Fiscal Year | General Obligation Bonds | Certificates of Participation | Unamortized Premiums (Discounts) | Capital Leases | | | |
| 2006 | \$ 645,000 | \$ 950,000 | \$ -- | \$ -- | | | |
| 2007 | 330,000 | 810,000 | -- | -- | | | |
| 2008 | 1,325,000 | 665,000 | -- | -- | | | |
| 2009 | 2,550,000 | 515,000 | -- | -- | | | |
| 2010 | 2,255,000 | 350,000 | -- | -- | | | |
| 2011 | 2,185,000 | -- | -- | -- | | | |
| 2012 | 5,745,000 | -- | -- | -- | | | |
| 2013 | 5,300,000 | -- | 19,746 | -- | | | |
| 2014 | 4,840,000 | -- | 21,186 | -- | | | |
| 2015 | 4,335,000 | -- | 20,041 | 113,938 | | | |

| Business-type Activities | | | | | | | |
|--------------------------|---------------------|-------------------------------|----------------------------------|----------------|--------------------------|-------------------------------|------------|
| Fiscal Year | Water Revenue Bonds | Certificates of Participation | Unamortized Premiums (Discounts) | Capital Leases | Total Primary Government | Percentage of Personal Income | Per Capita |
| 2006 | \$ 5,500,000 | \$ 14,305,233 | \$ -- | \$ 259,184 | \$ 21,659,417 | 5.03% | \$ 1,283 |
| 2007 | 5,210,000 | 17,660,134 | -- | 219,920 | 24,230,054 | 5.02% | 1,421 |
| 2008 | 4,905,000 | 20,644,155 | -- | 177,337 | 27,716,492 | 5.56% | 1,607 |
| 2009 | 4,585,000 | 19,456,865 | -- | 499,724 | 27,606,589 | N/A | 1,538 |
| 2010 | 4,250,000 | 18,179,865 | -- | 364,740 | 25,399,605 | N/A | 1,483 |
| 2011 | 3,895,000 | 16,866,865 | -- | 194,121 | 23,140,986 | N/A | 1,324 |
| 2012 | 3,520,000 | 15,507,865 | -- | 99,661 | 24,872,526 | N/A | 1,360 |
| 2013 | 3,130,000 | 13,922,865 | 239,090 | -- | 22,611,701 | N/A | 1,157 |
| 2014 | 2,135,000 | 14,101,841 | 220,290 | -- | 21,318,317 | N/A | 1,099 |
| 2015 | 1,095,000 | 13,150,827 | 210,978 | 3,161,820 | 22,087,604 | N/A | 1,129 |

See Table 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF STEPHENVILLE, TEXAS**RATIOS OF GENERAL BONDED DEBT OUTSTANDING****LAST TEN FISCAL YEARS****(UNAUDITED)**

| Fiscal Year | General Bonded Debt Outstanding | | | Percentage of Actual Taxable Value of Property | Per Capita |
|----------------|---------------------------------|-------------------------------|--------------|---|---------------|
| | General Obligation Bonds | Certificates of Obligation | Total | | |
| 2006 | \$ 645,000 | \$ 950,000 | \$ 1,595,000 | 0.25% | \$ 94 |
| 2007 | 330,000 | 810,000 | 1,140,000 | 0.16% | 67 |
| 2008 | 1,325,000 | 665,000 | 1,990,000 | 0.24% | 115 |
| 2009 | 2,550,000 | 515,000 | 3,065,000 | 0.34% | 171 |
| 2010 | 2,255,000 | 350,000 | 2,605,000 | 0.29% | 152 |
| 2011 | 2,185,000 | -- | 2,185,000 | 0.25% | 125 |
| 2012 | 5,745,000 | -- | 5,745,000 | 0.64% | 314 |
| 2013 | 5,300,000 | -- | 5,300,000 | 0.56% | 274 |
| 2014 | 4,840,000 | -- | 4,840,000 | 0.49% | 249 |
| 2015 | 4,335,000 | -- | 4,335,000 | 0.43% | 222 |

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table D-6 for property value data.

Population data can be found in Table D-17.

CITY OF STEPHENVILLE, TEXAS**DIRECT AND OVERLAPPING****GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)**

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|-----------------------------|--|---|
| Debt Repaid With Property Taxes | | | |
| Stephenville Independent School District | \$ 27,340,000 | 69.87% | \$ 19,102,458 |
| Erath County | 4,665,000 | 39.47% | <u>1,841,276</u> |
| Subtotal, Overlapping Debt | | | 20,943,734 |
| City Direct Debt | 4,335,000 | 100.00% | <u>4,335,000</u> |
| Total Direct and Overlapping Debt | | | \$ <u>25,278,734</u> |

Sources:

Assessed value data used to estimate applicable percentages provided by the Erath County Appraisal District and debt outstanding data provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Stephenville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

CITY OF STEPHENVILLE, TEXAS**LEGAL DEBT MARGIN INFORMATION****LAST TEN FISCAL YEARS****(UNAUDITED)**

As a home rule city, the City of Stephenville is not limited by law in the amount of debt it may issue.

Under Article XI, Section 5 of the Texas Constitution, no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of the City.

All taxable property within the City is subject to assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on the bonds within the limits prescribed by law. Under rules promulgated by the Office of the Attorney General of Texas, such office will not approve tax bonds of the City unless the City can demonstrate its ability to pay debt service requirements on all outstanding City tax bonds, including the issue to be approved.

Tax Rate Limitation Calculation for Fiscal Year 2015

| | |
|---|---------------------------------|
| Taxable assessed valuation..... | \$1,003,881,531 |
| Constitutional tax rate limit..... | 2.50% of assessed valuation |
| Maximum constitutional revenue available..... | \$25,097,038 |
| Tax rate to achieve maximum tax revenue..... | \$2.50 per \$100 of valuation |
| Tax rate for FY 2014-2015..... | \$0.4900 per \$100 of valuation |
| Available unused constitutional max tax rate | \$2.01 per \$100 of valuation |
| Debt applicable to limit: | |
| General obligation debt | \$4,335,000 |

DEBT TAX RATE ADEQUACY

| | |
|--|-----------|
| 2015 Principal and Interest Requirements | \$481,463 |
| \$0.04981 Tax Rate at 98% Collection Produces | 481,474 |
| Average Annual Principal and Interest Requirement, 2015-2031 | 306,611 |
| \$0.03172 Tax Rate at 98% Collection Produces | 306,612 |
| Maximum Principal and Interest Requirements..... | 481,463 |
| \$0.04981 Tax Rate at 98% Collection Produces..... | 481,474 |

DEBT SERVICE FUND BUDGET PROJECTION

| | |
|--|------------------|
| Tax Obligation Debt Service Requirements, Fiscal Year Ending 9-30-2015 | 481,463 |
| Debt Service Fund, 9-30-15..... | \$143,058 |
| Debt Service Fund Tax Levy @ 98% Collection | 481,474 |
| | <u>\$624,532</u> |

CITY OF STEPHENVILLE, TEXAS**PLEDGED-REVENUE COVERAGE****LAST TEN FISCAL YEARS****(UNAUDITED)**

| Fiscal Year | Water Revenue Bonds | | | | | | |
|----------------|---------------------|-----------------------|----------------------|--------------|------------|----------|--|
| | Utility | Less: | Net | Debt Service | | Coverage | |
| | Service Charges | Operating Expenses | Available Revenue | Principal | Interest | | |
| 2006 | \$ 5,628,658 | \$ 2,931,743 | \$ 2,696,915 | \$ 1,355,000 | \$ 752,077 | \$ 1.28 | |
| 2007 | 5,092,578 | 2,946,356 | 2,146,222 | 1,220,000 | 819,564 | 1.05 | |
| 2008 | 5,469,932 | 2,851,562 | 2,618,370 | 1,290,000 | 650,238 | 1.35 | |
| 2009 | 5,492,233 | 3,060,691 | 2,431,542 | 1,340,000 | 652,120 | 1.22 | |
| 2010 | 5,396,349 | 3,283,861 | 2,112,488 | 1,390,000 | 600,240 | 1.06 | |
| 2011 | 6,147,606 | 3,106,016 | 3,041,590 | 1,435,000 | 543,289 | 1.54 | |
| 2012 | 6,055,936 | 3,106,535 | 2,949,401 | 1,490,000 | 487,963 | 1.54 | |
| 2013 | 6,443,151 | 3,282,484 | 3,160,667 | 1,555,000 | 407,502 | 1.61 | |
| 2014 | 6,700,902 | 3,491,792 | 3,209,110 | 1,600,000 | 364,559 | 1.63 | |
| 2015 | 6,485,177 | 3,631,614 | 2,853,563 | 1,715,000 | 218,597 | 1.48 | |

Notes: Operating expenses do not include interest, depreciation, or amortization expense.

TABLE D-17

CITY OF STEPHENVILLE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|--------|--------|--------|
| Population | 16,882 | 17,050 | 17,250 | 17,950 | 17,123 | 17,480 | 18,290 | 19,320 | 19,410 | 19,560 |
| Personal Income (000's) | \$ 430,930 | \$ 483,044 | \$ 498,232 | \$ 535,449 | \$ 511,550 | \$ 551,179 | \$ 571,873 | N/A | \$ N/A | \$ N/A |
| Per Capita Personal Income | \$ 25,526 | \$ 28,331 | \$ 28,883 | \$ 29,830 | \$ 29,875 | \$ 31,532 | \$ 31,267 | N/A | \$ N/A | \$ N/A |
| School Enrollment | 3,550 | 3,521 | 3,496 | 3,553 | 3,794 | 3,584 | 3,702 | 3,731 | 3,656 | 3,702 |
| College Enrollment | 7,776 | 7,840 | 7,763 | 8,242 | 8,896 | 9,575 | 10,227 | 10,903 | 11,681 | 12,396 |
| Unemployment | 3.9% | 3.8% | 4.0% | 7.1% | 7.0% | 6.5% | 5.2% | 5.5% | 4.7% | 3.8% |

Sources:

Population, median age, and education level information provided by the State Department of Planning.
 Personal income and unemployment data provided by the State Department of Commerce and Labor. School enrollment data provided by the Stephenville Independent School District and Tarleton State University.

Note:

Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Personal income is not available for 2013 - 2015.

CITY OF STEPHENVILLE, TEXAS**PRINCIPAL EMPLOYERS****CURRENT YEAR****(UNAUDITED)**

| Employer | 2015 | | Percentage of Total City Employment |
|---------------------------------|-----------|------|---|
| | Employees | Rank | |
| Tarleton State University | 1,340 | 1 | 7.05% |
| FMC Company | 580 | 2 | 3.05% |
| Saint Gobain Abrasives | 452 | 3 | 2.38% |
| Wal-Mart Stores, Inc. | 432 | 4 | 2.27% |
| Scheiber Foods | 400 | 5 | 2.11% |
| Texas Health Harris Methodist | 280 | 6 | 1.47% |
| Tejas Tubular (Caporal Forging) | 187 | 7 | 0.98% |
| Fibergrate Composite Structures | 116 | 8 | 0.61% |
| Stephenville ISD | 277 | 9 | 1.46% |
| HEB | 180 | 10 | 0.95% |
| Western Dairy Transport | 194 | 11 | 1.02% |
| Erath County | 180 | 12 | 0.95% |
| City of Stephenville | 140 | 13 | 0.74% |
| Emerson Electric Company | 139 | 14 | 0.73% |
| Stephenville Medical & Surgical | 126 | 15 | 0.66% |
| Outlaw Conversions | 128 | 16 | 0.67% |
| Bruner Motors | 115 | 17 | 0.61% |
| PalCon | 135 | 18 | 0.71% |
| United Cooperative Services | 50 | 19 | 0.26% |
| Interbank | 36 | 20 | 0.19% |
| Texstar Ford | 42 | 21 | 0.22% |
| Reynolds Nationwide Transport | 40 | 22 | 0.21% |
| Prime Buildings | 45 | 23 | 0.24% |
| FFNB | 33 | 24 | 0.17% |
| USTRA (USTRC) | 40 | 26 | 0.21% |
| Subtotal | 5,687 | | 29.94% |
| Remaining Employers | 13,310 | | 70.06% |
| Total | 18,997 | | 100.00% |

Source:

City Community Development Division. Total employee data is provided by the State Department of Commerce and labor.

Notes:

Total employee information is based on entire Erath County. Principal employers are only those that operate from within the corporate city limits of Stephenville.

Data for the period nine years prior to the current period is not available.

TABLE D-19

CITY OF STEPHENVILLE, TEXAS**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM****LAST TEN FISCAL YEARS****(UNAUDITED)**

| Function/Program | Full-Time-Equivalent Employees as of Year End | | | | | | | | | |
|---------------------------|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2014 |
| General Government | | | | | | | | | | |
| Management Services | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Finance | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Planning | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Building | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Police | | | | | | | | | | |
| Officers | 31 | 34 | 38 | 38 | 38 | 38 | 38 | 39 | 39 | 39 |
| Civilians | 13 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 16 | 16 |
| Fire | | | | | | | | | | |
| Firefighters and Officers | 27 | 28 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 |
| Parks and Recreation | 13 | 13 | 13 | 13 | 13 | 13 | 14 | 13 | 13 | 13 |
| Library | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Streets | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Water | 10 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Wastewater | 8 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Landfill | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Total | 131 | 133 | 140 | 140 | 140 | 140 | 142 | 142 | 146 | 147 |

Source:

City Human Resources Office

Notes:

A fulltime employee is scheduled to work 2080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 2080.

TABLE D-20

CITY OF STEPHENVILLE, TEXAS**OPERATING INDICATORS BY FUNCTION/PROGRAM****LAST TEN FISCAL YEARS****(UNAUDITED)**

| | Fiscal Year | | | | | | | | | |
|--|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Function/Program | | | | | | | | | | |
| General Government | | | | | | | | | | |
| Building Permits Issued | 125 | 153 | 135 | 109 | 90 | 148 | 96 | 113 | 90 | 93 |
| Building Permits Value (000's) | \$12,263 | \$16,145 | \$27,821 | \$11,978 | \$8,456 | \$29,365 | \$11,175 | \$49,204 | \$19,061 | \$10,829 |
| Police | | | | | | | | | | |
| Calls for Service | 11,234 | 11,730 | 11,739 | 12,730 | 13,424 | 17,278 | 11,166 | 10,566 | 9,836 | 14,631 |
| Physical Arrests | 999 | 1,447 | 1,023 | 953 | 916 | 717 | 882 | 1,123 | 846 | 806 |
| Parking Violations | 334 | 498 | 171 | 206 | 346 | 401 | 417 | 520 | 258 | 467 |
| Traffic Violations | 3,066 | 4,469 | 2,473 | 1,634 | 1,478 | 4,639 | 2,035 | 5,357 | 7,338 | 5,665 |
| Fire | | | | | | | | | | |
| Ambulance Responses | 1,255 | 1,537 | 1,472 | 1,502 | 1,442 | 1,524 | 1,517 | 1,555 | 1,592 | 1,733 |
| Fire Responses | 305 | 235 | 219 | 230 | 241 | 282 | 229 | 276 | 251 | 294 |
| Inspections | 105 | 313 | 280 | 326 | 359 | 316 | 289 | 551 | 456 | 444 |
| Refuse Collection | | | | | | | | | | |
| Refuse Collected (tons) | -- | -- | -- | -- | 15,984 | 15,538 | 16,930 | 18,393 | 21,729 | 22,494 |
| Other Public Works | | | | | | | | | | |
| Street Resurfacing (miles) | 1.52 | 2.70 | 2.23 | 2.68 | 1.25 | 0.90 | 1.30 | 1.32 | -- | -- |
| Library | | | | | | | | | | |
| Volumes in Collection | 47,510 | 43,737 | 43,827 | 44,200 | 39,333 | 33,709 | 32,504 | 33,316 | 35,171 | 36,759 |
| Total Volumes Borrowed | 114 | 116 | 94 | 227 | 129 | 132 | 161 | 25 | 6 | 12 |
| Water | | | | | | | | | | |
| New Connections | 5,550 | 5,660 | 5,670 | 5,700 | 5,624 | 5,698 | 5,920 | 6,181 | 6,000 | 6,442 |
| Water Main Breaks | 48 | 49 | 44 | 61 | 62 | 70 | 80 | 47 | 59 | 57 |
| Average Daily Consumption (thousands of gallons) | 2,254,000 | 1,828,000 | 2,080,000 | 2,004,000 | 1,970,000 | 2,447,000 | 2,115,000 | 2,107,000 | 1,983,000 | 1,945,000 |
| Peak Daily Consumption (thousands of gallons) | 4,397,000 | 3,091,000 | 3,848,000 | 3,663,000 | 3,666,000 | 4,765,000 | 3,937,000 | 3,937,000 | 3,176,000 | 3,505,000 |
| Wastewater | | | | | | | | | | |
| Average Daily Sewage Treatment (thousands of gallons) | 1,414,000 | 1,691,000 | 1,548,000 | 1,518,000 | 1,745,000 | 1,395,000 | 1,610,000 | 1,453,000 | 1,433,000 | 1,444,000 |
| WW Peak | -- | -- | -- | -- | -- | 2,716,000 | 4,494,000 | 3,158,000 | 2,737,000 | 7,106,000 |

Source:

Various City Departments

TABLE D-21

CITY OF STEPHENVILLE, TEXAS**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM****LAST TEN FISCAL YEARS****(UNAUDITED)**

| Function/Program | Fiscal Year | | | | | | | | | |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Fire | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other Public Works | | | | | | | | | | |
| Streets (miles) | 92 | 96 | 96 | 96 | 91 | 91 | 91 | 92 | 92 | 92 |
| Highways (miles) | 19 | 21 | 21 | 21 | 23 | 23 | 23 | 23 | 23 | 23 |
| Streetlights | 1,013 | 1,070 | 1,080 | 1,096 | 1,119 | 1,121 | 1,125 | 1,127 | 1,127 | 1,145 |
| Parks and Recreation | | | | | | | | | | |
| Acreage | 134 | 134 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 |
| Playgrounds | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Baseball/Softball Diamonds | 9 | 9 | 9 | 9 | 11 | 11 | 11 | 11 | 11 | 11 |
| Soccer/Football Fields | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | | | |
| Water Mains (miles) | 120 | 122 | 124 | 125 | 125 | 126 | 126 | 126 | 126 | 126 |
| Fire Hydrants | 680 | 692 | 720 | 735 | 771 | 788 | 798 | 798 | 798 | 798 |
| Storage Capacity (thousands of gallons) | 5,500,000 | 5,500,000 | 5,750,000 | 5,750,000 | 5,750,000 | 5,750,000 | 5,750,000 | 5,750,000 | 5,750,000 | 5,750,000 |
| Wastewater | | | | | | | | | | |
| Sanitary Sewers (miles) | 110 | 113 | 114 | 115 | 115 | 116 | 116 | 116 | 116 | 116 |
| Storm Sewers (miles) | 10.0 | 10.0 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| Treatment Capacity (thousands of gallons) | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 |

Sources:

Various City Departments

Note:

No capital asset indicators are available for the general government function.

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